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## ABSTRACT

This comparative study of primary school finance is based on ten studies of the arrangements for financing primary education in Australia, Canada, the Federal Republic of Germany, Italy, the Netherlands, Norway, Sweden, the United Kingdom, the United States, and Yugoslavia. Chapter 1 describes the variety of approaches that individual countries use to finance their primary schools and the major trends in school finance policy in each country. Chapter 2 of the study compares and contrasts the diverse arrangements that countries have developed to accomplish particular educational policy objectives. Finally, chapter 3 summarizes the report and indicates some of its limitations as well as its contributions to comparative study. One of the findings that emerge is that some of the federal countries equalize at as high, or at even higher levels, than do some of the unitary states. Also, the presence of a federal form of government structure does not appear to be controlling with respect to either the intensity, or the success, of equalization efforts. (Author)

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# **EDUCATIONAL FINANCING AND POLICY GOALS FOR PRIMARY SCHOOLS**

**GENERAL REPORT**



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EDUCATIONAL FINANCING AND POLICY GOALS  
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**LE FINANCEMENT  
DE L'ENSEIGNEMENT PRIMAIRE  
ET LES OBJECTIFS FONDAMENTAUX  
DE L'ÉCOLE  
RAPPORT GÉNÉRAL**

*Centre for Educational Research and Innovation (CERI)*

**EDUCATIONAL  
FINANCING  
AND POLICY  
GOALS  
FOR PRIMARY  
SCHOOLS**

**GENERAL REPORT**

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## AN OVERVIEW BY THE SECRETARIAT

This document summarises the results of an initial two-year phase of CERI's programme in the field of educational finance. Our approach has been to treat finance in policy terms, particularly as it relates to public policy objectives. This report, therefore, is less concerned with making comparisons over time or among countries regarding how much money is available for particular aspects of education than with examining finance mechanisms as a policy instrument. Instruments available for influencing educational policy are recognisably limited in number, and financing may be among the few available for promoting more equitable distribution of education services and for devolving management responsibility. Financing mechanisms for education, if they are to reach their potential as a means to serve policy ends, need to be better understood. Their advantages and disadvantages as policy instruments should be explored and their limitations should be defined. This was the basic thrust of CERI's educational finance programme.

At the inaugural meeting of Experts assembled for this project in October 1975, it was recognised that at the basic informational level there had been little systematic study comparing different countries' educational financing practices. There had been virtually no attempts to assess cross-nationally the conditions under which certain forms of educational financing arise, the policy objectives they are intended to foster, and the extent to which they succeed. United States authorities took the lead in tackling this knowledge gap by providing a substantial grant from the Educational Finance Programme of the National Institute of Education. This support from the N.I.E. has extended to the current phase of the CERI activity, a cross-national study of the financing, organisation and governance of educational services for groups in special need.

The first phase study was limited to (parts of) the educational systems in ten Member countries: Australia, Canada (the Province of Ontario), Federal Republic of Germany, Italy, Netherlands, Norway, Sweden, United Kingdom, United States (California and Florida) and Yugoslavia. These jurisdictions provided a rich assortment of financing arrangements and various historical, legal and administrative contexts. It was further limited, as far as was practicable, to the financing of compulsory or basic educational services, termed here the "primary level". To embrace all levels of the educational systems was considered too complex and hence too confusing an undertaking for a ground-breaking type of enquiry.

### *The Country Studies*

The source material for this paper was the set of national studies prepared by experts in each participating country. These are published in three companion volumes to this General Report - Volume I: Australia, Canada, Germany;

Volume II: United Kingdom, United States, Yugoslavia; Volume III: Netherlands, Norway, Sweden, Italy.

These country studies aimed to fulfil a number of purposes. First was to provide a description of the history of primary level educational finance arrangements and thus to frame the context within which present educational financing instruments operate. Second was to present current policy objectives in education and to describe the linkage, where appropriate, between these objectives and the financial instruments which are designed to promote them. And finally, it was hoped to provide some insights into the effectiveness of these instruments. To provide a common data base for the cross-country analysis the authors agreed to write to a common outline.

#### *Financing Arrangements and Policy Goals*

Although the terms of reference for these national studies did not absolutely limit the choice of financial instruments and policy goals to be considered, the data that ultimately emerged tended to converge on a few basic concepts. The term "instrument" was taken to apply to a financing arrangement whether or not it had been devised with a deliberate policy intent, so any specific structure or process for the flow of funds for education could be studied. Those outlay measures ultimately treated include such topical ones as inter-governmental transfers, categorical and incentive payments. Revenue generation measures cover various forms of user charges and tax bases.

The major policy goals that emerged from the studies were the following four:

- i) Reducing the disparities across areas and localities to resources for schooling—termed here the goal of *equality*, or equalisation.
- ii) Improving the extent to which sub-groups with special needs have access to supplementary resources—termed here the goal of *equity*.
- iii) Encouraging moves to shift the *locus of control* over schooling decisions. Often this has meant strengthening claims by localities that their prerogatives be guarded and/or enhanced—the goal of local autonomy. In other countries the policy emphasis has been on strengthening the hand of other than local authorities to steer school policies.
- iv) Preserving and/or increasing the extent to which parents feel that they have real, practicable opportunities to choose among different styles of schooling for their children—the goal of *diversity and choice*.

#### *Some Lessons Learned*

Two kinds of lessons can be extracted from the conduct of this enquiry and from the substance of its analysis. The first relates to common conceptions and misconceptions that influence financing policies to support and influence educational services. The second has to do with the approaches, methodologies and procedures for conducting such enquiries as this one.

#### *Substance*

Certain of the findings in the general report have particular implications for future work, notably the following:

- i) To further the equality of education services, however defined, does not necessarily require radical re-casting of a country's educational financing system; such improvement can be instituted through modifications to the emphases in and intensity of existing systems.
- ii) The two avenues to equalise through financing—by means of inputs or outlays—are interdependent; any mandate for a required level of service must be backed up by a fiscal policy involving both elements.

- iii) Equality can be approached in both federal and unitary governments; and neither has a clear advantage as the best infrastructure for educational financing.
- iv) Insofar as the concept of equality comes to embrace the equity notion of differential educational provision for certain groups, modes of financing such schemes can only be assessed in terms of concomitant organisational and governance machinery.
- v) Local autonomy in education can be enhanced by giving more attention to the mode of financial transfers from central to regional and local jurisdictions; the less categorical these transfers, the greater the opportunity for effective autonomy. This seems a more feasible approach to promoting relatively greater autonomy than insisting on some non-centrally generated revenues.
- vi) Local funding or local control of finance is not in itself a sufficient means for ensuring diversity in, and choice among, educational styles and offerings.
- vii) Financing arrangements that affect the nature of the teacher workforce appear to be pivotal in gaining policy leverage.

### *Methodology and Procedures*

This project also provided us with an opportunity to test various approaches to conducting complex, inter-country enquiries in the future.

The research design for the present study can be assessed in the light of two main purposes. The first was primarily descriptive: the study was to provide certain basic information about different countries' methods of financing primary education. The second was analytical. A comparative study which drew on the information provided in the ten case studies was to be used to examine the diverse country approaches to common policy issues and to test certain propositions of the "conventional wisdom" that surrounds financing.

The major strength of the country case study design was the common framework it offered for structuring the information about each country's primary level financing arrangements. On this basis the general report compares and contrasts contexts and arrangements and develops various typologies and classification schemes. Thus, the design of the case studies was relatively effective in developing the descriptive aspect of the project.

The comparative analysis phase of the work presented more difficulties. First, there was the perennial problem of having the individual country study authors exercise sufficient discipline that their reports would conform to the general structure established by the design, without losing the unique qualities which characterise each country's situation. It is instructive here to make a few observations about the development of the design itself as a tool of analysis. This may conveniently be done under the headings: scope of the enquiry; definitions and standards for comparative policy assessment; time perspective; and process of enquiry design.

### *Scope of the Enquiry*

The project illustrates how a narrowing of the scope of the design may serve to focus analytical work while, paradoxically, a widening of it may have essentially the same effect. Thus, the project design was intended to allow for the fact that various policy issues and financial arrangements would have more relevance in some country settings than in others. The door was left open, therefore, to over-inclusiveness and to possible distortions in interpretation due to a kind of equal treatment of policy and finance issues whatever their level of

importance in particular countries. This, then, would point to possible refinements in which the design called more explicitly for discussion of issues in the context of their priority within each country. On the basis of the development of such data the study could be adjusted to include:

- i) only those countries in which the issues chosen for study were of high priority;
- ii) a recognition of possible "distortions" in the comparative analysis which different country priorities might introduce, or
- iii) an analysis of the sources and nature of the priority differences themselves.

These tactics imply a narrowing and sharpening of the design as the project proceeds.

On the other hand the enquiry could have been "broadened" to include policy issues as another focus of description. How this tactic would have facilitated analysis can be demonstrated by considering, for example, the issue of equalisation. During the comparative phase, one of the questions that arose was: to what extent do countries use strictly financial instruments as opposed to regulation—or some combination of the two—to achieve the objective of equalisation? This question was very difficult to answer. Some country studies that focused more directly on finance instruments rather than the policy issue paid relatively little attention to regulatory actions that mandated changes in organisation, governance, and programme. Ultimately the study developed a typology which seems to grasp the essence of different approaches to the same policy issue. This development would have been facilitated if the case studies had had a common structure focussing directly on a given policy issue, and on the range of financial and regulatory devices used in connection with it.

#### *Definitions and Standards for Comparative Policy Assessment*

It would be impracticable at the research design stage to develop standard definitions of such policy issues as are treated in this study which would apply equally across the ten countries. However, an earlier clarification of alternative conceptualisation of issues (and consequently of alternative methods of approaching them) would have helped. Again, a discussion of the equalisation issue illustrates this approach. The lack of a classification scheme of equalisation concepts at the design stage precluded some types of comparative analytic work later on. If there had been such a scheme it may well have been possible to examine the interactions among different concepts of, as well as approaches to, equalisation in which finance plays an integral role.

A research design in this kind of study also might attempt to establish common definitions or standards for assessing progress toward policy objectives. For example, one of the objectives in some of the countries was decentralisation of decision-making, sometimes referred to as increasing local autonomy. Whether finance instruments can actually promote this objective might be examined in terms of what the locus of control was in different jurisdictions before the instruments were employed and how it had changed over time, if at all. Preliminary research might have sought to determine by which standards countries could be characterised as having a high or low level of autonomy. Of course, even if such standards proved too difficult to state firmly, the attempt might have sharpened descriptive efforts.

#### *Time Perspective*

The consideration of standards, and performance according to such standards, leads to the question of time perspective in such studies. What should be the time frame used for studying school finance policy? Although there was a

provision for general historical background, the design actually used a cross-sectional (rather than, say, a longitudinal) framework for most of the information assembled. While such an approach may seem to make the data more "manageable", it does put limits on possible analysis—for example, on the assessment of demographic, economic, political, and structural factors in creating conflict, dislocations and policy debates and of their resolution by means of financing and related measures. If one is to gain an appreciation of the impact of financial instruments, it is important to be aware of whether they are an historical vestige or more recently introduced in pursuit of a particular policy objective.

### *The Process of Enquiry Design*

These considerations also raise questions about the process of design development and the research resources involved. For example, country studies aimed at longitudinal data-gathering would have required a substantial increase in resources deployed, especially at the planning stage.

In any case, the development of the design for inter-country study may be conceived as a process: the initial collection of data can become a major source for the reassessment of the initial hypotheses, the mid-stream development of new hypotheses and a re-ordering of the enquiry design. This may be illustrated by one aspect of the experience of this study. In an early scheme for the comparative phase of the project the proposed analysis was organized around three major themes: the context of current primary finance arrangements; selected policy concerns and associated financial instruments; and the effects of selected fiscal instruments on goals of educational policy. One objective of this arrangement was to "explain" why finance instruments such as equalisation formulas and pupil weighting schemes were generated by the political process in different countries. Fiscal instruments were to be viewed as "dependent variables" to be explained by a variety of historical and contemporary factors. Later, finance instruments were to be viewed as "independent variables" which ostensibly had some impact on the distribution of educational revenues and resources, on the locus of decision-making, and on the character of educational services. However, as the information from the country studies began to show itself as not entirely amenable to this approach, it was impracticable to reformulate the design and to support a further round of information-gathering and analysis.

In fact the framework of the analysis itself was adjusted without a great influx of new information, and the following general report contains interesting and useful observations about the consequences of different finance arrangements—both intended and unintended—and observations about the "conventional wisdom" of school finance, in addition to examining the central policy questions discussed above.

### *The Future*

CERI and the United States N.I.E. began this joint venture as an experiment whose purpose was to determine if cross-national studies of educational finance were feasible and productive. Our preliminary judgment is that if properly nurtured and carefully designed, they can illuminate the education policy debate in Member countries. On the strength of this initial effort a second enquiry has been launched into the financing, organisation and governance of education for special populations, a subject that is identified as being of particular concern. Both agencies look forward to continue sharing in the promotion of high quality and equitable educational services in Member countries.

## COUNTRY STUDIES AND AUTHORS

|                                                         |                                                                                                                                                      |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
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### SECRETARIAT

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## INTRODUCTION

### THE COUNTRY STUDIES

This comparative study of primary school finance is based on ten studies of the arrangements for financing primary education in the following OECD Member countries: Australia, Canada (the province of Ontario), the Federal Republic of Germany, Italy, the Netherlands, Norway, Sweden, the United Kingdom (England and Wales), the United States (California and Florida), and Yugoslavia<sup>1</sup>.

These jurisdictions provide a rich assortment of financing arrangements and historical, legal and administrative contexts. Five (Australia, Canada, Germany, the United States, and Yugoslavia) have federal settings; the other five are unitary states. Anglo-Saxon common law forms the legal basis of administration and taxation in four states (Australia, Canada, England and Wales, and the United States); Roman law in the others. The jurisdictions have populations ranging from small through medium to very large. Three (Australia, Canada and the United States) originated in colonial governments; one (Yugoslavia) spent centuries under foreign domination. Five of the nations (Germany, Italy, the Netherlands, England and Wales, and Yugoslavia) have developed highly idiosyncratic educational systems that owe relatively little to foreign borrowings and much to native educational ingenuity. Three (Australia, Canada, the United States) have borrowed extensively from the models supplied by the "Old World", while freely adapting those models to fit local conditions. All have made extraordinary efforts in the educational field and have developed a high degree of sophistication and excellence in school organisation and provision.

The country studies were prepared during 1976, following a research and reporting design. The country studies attempted to fulfill a number of purposes. The first was to provide a description of the history of primary educational finance arrangements and thus to frame the context within which present educational finance instruments operate. A second was to present current policy objectives in educational finance and to describe the linkage between these objectives and the financial instruments which are used to achieve them. Finally, the country studies were intended to provide some insight into the effectiveness of these instruments—or lack of it—in achieving their intended purposes.

1. See the accompanying list of authors of the country studies (page 10).

## AIMS AND STRUCTURE OF THE STUDY

The present comparative study uses the data and judgements provided by the authors of the country studies also to accomplish three major purposes. First, in Chapter I, the study attempts to describe in summary fashion the variety of approaches that individual countries use to finance their primary schools, and to describe the major trends in school finance policy in each country. To assist in the task of comparison, the data are presented under common headings for each country, and focus on the following aspects of primary school finance: background context (geographical, political, and educational structure) within which the primary school systems operate; role of local authorities (both educational and municipal) in primary school finance; role of central governments (state, province, Land, republic, national, federal) in primary school finance; policy trends in areas of key concern.

Chapter II of the study attempts to compare and contrast the diverse arrangements which countries have developed to accomplish particular educational policy objectives. These objectives include equalization of access to resources for education, financial provision for special educational needs, influencing the locus of control in educational decision-making, and affecting the degree of parental choice among educational alternatives. For two of these issues, namely, equalization and financial provision for special needs, the study attempts to assess some of the strengths and weaknesses of the different country approaches to the problem.

Chapter III provides a summary of the report, and indicates some of its limitations, as well as some of its contributions to comparative study. Chapter III ends with a listing of nine major conclusions drawn from the study and provides a description of three suggestions for further work.

Thus, among some of the findings that emerge are the following:

- That unitary states achieve a higher degree of equalization than do federal countries is shown to be not supported. Some of the federal countries equalize at as high, or at even higher levels, than do some of the unitary states, and the presence of a federal form of government structure does not appear to be controlling with respect to either the intensity, or the success, of equalization efforts;
- That the proportion of non-local funding is associated negatively with local autonomy in school matters is shown to be not proven. In addition, the proposition that a higher degree of non-local funding produces a more standardized, uniform structure of schooling is also shown to be not supported by the evidence of the country studies. However, a corollary proposition, that the mode in which non-local funds is made available is of importance for local autonomy is shown to have some support in the experience of the countries.

## MAJOR GOALS OF POLICY

All of the ten countries represented in the present study have taken an interest in organizing their school finance arrangements to improve the provision of educational services in poorer areas and localities. Most of the countries have given especial attention in the last decade or so to ways of ensuring that the school needs of certain special subgroups are met. In addition, all the countries are concerned with the issue of control of educational policy. In particular, many of them seek to maintain and enhance a partnership between "central"

and "local" authorities in the provision and financing of schooling, trying to ensure that the balance of power and responsibility does not tip too far in either direction. In a number of the countries, too, there has been concern over the years to guard, improve, or make more effective, the right and ability of parents to choose for their children a type of education that conforms to their preferences, particularly to their religious beliefs.

These, then, are the major areas of policy to which this paper directs attention when considering the effects of particular instruments and patterns of school finance arrangements: equalization of resources and provision for special educational needs; locus of control; and parental choice and diversity of provision.

*Equalization:* Equalization is defined and approached in a variety of ways in the ten countries included in the study. Nonetheless, three principal approaches to equalization tend to predominate. These approaches attempt to achieve:

- Equalization of tax bases to support education;
- Equalization of per pupil or per capita expenditures;
- Equalization of physical inputs, particularly teacher services.

The first approach, referred to as a "guaranteed tax base", or "guaranteed yield", approach, attempts to ensure that all localities will have at least a standard level of resources for education, regardless of their local fiscal capacity. Under this approach, municipalities and/or school districts with weak tax bases are brought up to the centrally-determined standard either through financial transfers from the central government or through transfers from fiscally stronger units. Thus, while all localities will have equal access to resources up to a defined level, they may choose to provide different levels of educational services.

The second and third approaches to equalization leave less room for local discretion in the level of educational services, but instead focus more directly on equalization of provision. The equalization standard under the second approach is equal expenditures per pupil or per capita, although a range of expenditure variation, e.g. five to ten per cent above or below the mean, is frequently permitted, especially when the variation is due to educational cost differentials across regions. Under the third approach, the standard concentrates upon equal provision of specific services. These may include the supply of books, materials and school support staff, as well as teachers' services, although the latter is often the main standard for comparing services across different localities. However, as under the expenditure standard, variation in provision is frequently permitted when it results from special circumstances, such as small school size or geographical isolation.

In addition to taking a variety of forms in different countries, there are other differences in countries' approaches to equalization which should be noted. One of these concerns the units or systems among which resources of services are "equalized". In some systems, such as those in the United States and Canada, equalization is sought primarily among school districts, though recently in the United States some states have begun to seek equalization among schools within school districts. In other systems, such as that in the Netherlands, equalization is a principle that is applied between public and private schools. Financial arrangements attempt to achieve equalization between municipal and private schools within municipalities, and, to a lesser extent, among different municipalities. Financing policies in Australia and in the Canadian province of Ontario are moved by similar considerations of equalization between public and private schools, or between government and separate schools in the public system.

Another difference which should be noted concerns the government interface at which equalization takes place. In unitary countries the main interface is between central governments and municipalities and/or school districts. In

federal countries, however, there are intermediate government levels (states, provinces, Länder, and republics) which constitute the focal point of our discussion of equalization, and we describe and analyse equalization arrangements between both the intermediate and local levels on the one hand, and the intermediate and federal levels on the other. However, for our purposes, the former interface is generally considered primary, since in most of the federal countries the intermediate governmental authority is constitutionally responsible for the provision and finance of primary (and secondary) education.

In recent years the concept of equalization has been broadened in scope to encompass a fourth approach to the issue. This involves deliberate disequalization of resources, with the object of providing additional educational services for children who have special educational needs. Although different countries have identified different sets of populations as requiring extra educational services, the core groups include children who come to school with physical and emotional handicaps, language disabilities, and economic disadvantage, as well as children who require special types of training or programmes, e.g., vocational education. Our discussion of equalization in the paper will therefore attempt to identify and describe the different approaches which countries take to provide extra resources for children with special educational needs.

*Local autonomy:* In the present study, this term is used primarily to describe the powers of municipalities or school boards *vis-à-vis* the powers of some non-local (central or provincial) governmental authority. There are two important domains of decision-making power that are relevant here: those that relate to questions of *finance* (for example, powers to set tax rates, receive tax revenues, establish levels of expenditure, raise loans and disburse the proceeds of such loans); and those that refer to matters of *school organization and processes*.

We recognize that this is a traditional approach to the definition of local autonomy. In a number of Member countries, this definition of the problem has ceased to be important. The centre v. local struggle is greatly muted and the question of "where is the locus of control of the schools?" has to be seen in a much more complex framework. What is the relationship between patterns of school finance, on the one hand, and the power of teachers' organizations (exercised on a national scale or at the local level), parents' groups, and employers to influence what kinds of schools there shall be, and what goes on inside them? These are the questions of control and autonomy that, one suspects, are coming more and more to the fore. However, on the evidence of the country studies, these issues have not yet received clear formulation and, while we can note their presence and growing importance, there is little we can say about them in relation to school finance questions.

Moreover in other Member countries, the debate over school finance is still heavily freighted with the traditional tension between local and non-local government and school authorities. A great deal of political debate associated with school finance discussion continues to be related to the relative power, responsibility and roles of local school (or municipal) systems *vis-à-vis* non-local (provincial, State, or central) governments, and this is the sense in which we shall use the terms *autonomy*, and in particular *local autonomy*, in this paper.

Obviously, questions of autonomy in school control refer to different sets of governmental units in different countries. For example, in the United States local autonomy refers to the powers of the local school boards *vis-à-vis* the state governments, in England to the local government authorities that provide the schools *vis-à-vis* the central government, in Australia to the States, and in Germany to the Länder, *vis-à-vis* the federal governments in each country. The Netherlands is considering the establishment of regional authorities, midway

between the localities and the central government, that may over time come to represent a species of local autonomy *vis-à-vis* the central government. In Yugoslavia, "school autonomy" refers to the "self-governing interested communities of education", and to the school-based cooperative units that make contracts with the communities to provide school services.

The discussion of the connections between school financing arrangements and autonomy (local, state, provincial) will attempt to take into account this diversity of form from country to country.

*Parental choice of school:* All of the Member countries represented in the present study (except Yugoslavia) permit the operation of non-publicly-provided schools at the primary level. However, in a number of the Member countries school finance arrangements have been influenced by the desire to preserve and, sometimes, to enhance effective parental *choice of school*. Where substantial amounts of public funds are made available to non-state schools, this is usually done in order to support schools provided by a minority church. This is the case, for example, in Ontario, England, and Australia. In the Netherlands, the rationale that is used to justify the parents' fundamental right to claim public funds in support of a church-related education for their children has been extended to cover choice of alternative secular schools.

At least at the primary level, none of the Member countries appears to support the notion of providing substantial alternatives to parents *within* state systems. In particular there has been little official enthusiasm for voucher schemes and the like, that would provide parents with public funds that they could then spend at the schools of their choice. Therefore, when the discussion in Chapters I and II below turns to the question of parental choice of schooling, it refers to the effect of school finance arrangements on parents' ability to opt for a non-state (usually a church-related) alternative.

## *Chapter 1*

# **FINANCING INSTRUMENTS FOR PRIMARY SCHOOLS AND MAJOR TRENDS IN POLICY: A REVIEW OF THE COUNTRIES**

## **AUSTRALIA**

### **BACKGROUND INFORMATION**

The Commonwealth of Australia is a federation of six states. These include New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania. The federation also includes the Northern Territory and the Australian Capital Territory.

About half the population of Australia is concentrated in five major cities. Most of the remainder is widely scattered over an area roughly the size of the United States.

There are approximately 9 400 elementary and secondary schools in Australia and about 2.9 million pupils. These include 5 750 government primary schools, about 1 400 non-government primary schools, and 1.8 million elementary school pupils. In 1975 government schools accounted for about 80.3% of the primary school pupils; Catholic schools, 17.5%; and other non-government schools, 2.2%.

### **FINANCE ARRANGEMENTS**

#### *State governments*

The provision and financing of primary education in Australia is constitutionally a state government responsibility. With the exception of funds provided by the federal government, the states assume practically the full cost of educational services. The state governments also play a major role in the management of professional personnel and in the determination of the level and distribution of other educational expenses. In the area of staff, each state department of education determines school staff entitlements mainly on the basis of enrolments, and deploys staff according to these entitlements. For other current operating expenditures it also uses a formula approach for the allocation of equipment, materials, etc., which is based on school size. And, for capital expenditures, decisions about requirements are also made by central authorities with relatively little local consultation on the planning of new school facilities. In all of the areas, the state governments fully fund the costs which result from its determinations.

## *Federal government*

A change of major importance in Australian school finance has been the increasing role of the federal government in the financing of education in the post-World War II period. Federal government involvement began in the tertiary field, but gradually extended to the school level through the federal government's constitutional authority to provide grants to the states and its responsibility for schools in the territories. In 1975-76 the states still furnished the preponderant portion of primary school expenditures (about 85 per cent for government schools), but the Commonwealth share has increased consistently over the last few years.

The federal government finances education both indirectly through a system of general grants to the states and directly through a number of specific-purpose grants which are designed to promote particular national responsibilities. The general grants are of three basic types: a financial assistance grant paid to all states on a formula basis which takes into account population increases, wage increases, and changes in responsibilities between Commonwealth and state governments; special grants to states in a weak financial position; and interest-free capital grants which can be used for any capital purpose. These grants constitute the major source of state revenue—about 52 per cent in 1975-76—although they have been decreasing in importance relative to specific-purpose grants in recent years.

Specific-purpose grants are used by the Commonwealth to finance expenditures in a number of functional areas, with education taking on increasing importance among them. (Specific-purpose grants for education comprised 27 per cent of the total in 1970-71, but 36 per cent in 1975-76). The grants are provided to both government and non-government schools in a number of programmatic areas. These include the following:

The *General Recurrent Grants Programme* provides funds to each government school system to augment state financial resources to cover expenditures on staff and other operating items. It is essentially a resources supplementation and equalization programme which provides grants at higher levels to states which assign a low priority to schools in their spending. The only portion of the programme which is earmarked is the roughly 9 per cent which is designated for the special educational needs of non-English-speaking migrant children. The programme constitutes about 55 per cent of the specific-purpose grants to government schools.

The *Disadvantaged Schools Programme* caters to the special needs of schools in economically poor areas. Lump sum grants, which are based on socio-economic criteria, are distributed to eligible schools on the basis of projects put forward by the school and/or community. They comprise about 5 per cent of specific-purpose grants to government schools.

*Special Education Programme* funds are provided for handicapped children. The normal mode of provision has been to establish special schools, and Commonwealth government funds are intended to encourage arrangements which will lead to an increasing number of children being integrated into ordinary schools. Funds under this programme constitute about 3 per cent of total specific-purpose grants.

*Capital Grants Programme* funds serve a variety of purposes, including provision of new and more varied facilities and restoration and improvement of existing buildings. The funds, which are used at the discretion of the state, form the second largest component of specific-purpose government school grants—about 35 per cent of the total.

The grants to non-government schools are distributed under the same programme classification as grants to government schools, although in some

programme areas the distribution criteria are somewhat different. Their significance lies in their major contribution to the overall costs of the non-government sector and the freedom given to individual schools or systems to deploy them in a manner consistent with the particular purpose for which they have been allocated.

The final area of Commonwealth funding is to joint programmes in the government and non-government sectors. These include a Services and Development Programme which provides for the training of staff and school improvement activities, and a Special Projects Programme which is intended to foster change by encouraging fresh approaches and increased local participation. Grants to these programmes total less than three per cent of the total spent by the Commonwealth on specific-purpose grants.

## POLICY ISSUES

### *Equalization*

Equalization of educational services both within and among states has been a major governmental concern in Australia for many years. Towards this end, Australia has developed a system with a high degree of state control of both organization and finance. In contrast with all other countries in the study, local units with independent revenue-raising and decision-making power do not exist; such local authorities that do exist are, by and large, administrative vehicles for the execution of central government policy. Consequently, the problems of local inequality of financial resources and educational expenditures, which in other countries largely result from disparities in local fiscal capacity, have been greatly reduced in the Australian system.

Within the last ten years the Commonwealth government has also begun to play a major role in achieving equalization in primary school finance. A basic element of the federal approach is the emphasis on equalization of access to resources among the states. General purpose grants distributed on a formula basis are one of the principal finance instruments used for this purpose. In addition, the Commonwealth government attempts to achieve a degree of service equalization through categorical grants to the states for students with special needs. These grants focus on the handicapped, the socio-economically disadvantaged, and the rurally-isolated.

The actions taken by both state and Commonwealth governments in Australia appear to come fairly close to securing a high degree of equalization of resources and services for children throughout the country. State government control over teacher posting ensures that even children in remote areas will have a teacher whose salary is centrally provided. Nonetheless, there are individual elements of the overall system of arrangements which may be insufficient to achieve full equalization - both between the public and private sectors and among the government schools.

In Australia the major disparity in the level of expenditure is between government and non-government schools. On average nationwide, the expenditure level in non-government schools is only about three-fourths that in government schools. Despite massive increases in both state and Commonwealth support in recent years (roughly a fourfold increase between 1971/72 and 1975/76), the gap between them and government schools has not been closed.

Within the public sector the main disparity is between the large metropolitan centres which attract more experienced and educated personnel and the remoter areas, which experience difficulties maintaining highly qualified staffs. A second

area of disparity is between high income and lower income areas in the level of private contribution for expenditures such as books and uniforms which are not fully provided from public resources. However, disparities in both of these areas are fairly small, and are partly offset by additional government grants which further reduce them in importance.

#### *Autonomy and parental choice*

In recent years policy makers have begun to recognize the dysfunctional consequences of a high degree of centralization. The most serious of these has appeared to be the inability of the system to adapt to particular local needs and to respond to the problems of children with special educational problems. Consequently, the focus of Australian policy has shifted somewhat away from thorough-going central control. Policy is now primarily concerned with providing more opportunities for decentralized decision-making and administration in organizational and pedagogical matters, together with greater parental participation, while maintaining a high degree of financial equality.

Towards this end, some states have begun to provide for the transfer of state funds to the school site level which can be used for discretionary purposes. Several states have begun to experiment with modest per pupil grants to school councils for textbooks, maintenance of grounds and equipment, and learning materials, although these still constitute a very small proportion of total educational expenditures. In the capital funding area, there are attempts to make the provision of school facilities more responsive to local requirements. The structure of decision-making with respect to priorities among building works has been altered to incorporate various local, regional, and state levels of responsibility for the allocation of resources.

Parental choice is also being fostered in Australia through the provision of Commonwealth funds for the support of non-government schools. Parents are thus assisted in conserving a degree of choice between government and non-government alternatives for their children. Hence, what the Australian system has historically lacked in the area of local autonomy, it may compensate for in some measure by contributing to the maintenance of diversity in school provision.

## CANADA

### PROVINCE OF ONTARIO

#### BACKGROUND INFORMATION

The Dominion of Canada is a federal state which consists of ten provinces and two territories. The provinces include: Quebec, Ontario, Alberta, Manitoba, Saskatchewan, Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island, and British Columbia. The territories include the Yukon and Northwest Territories. Nearly two-thirds of Canada's population reside in the two provinces of Ontario and Quebec.

There are presently 177 elementary school boards in the province of Ontario. Of these, 115 are public school boards; 60 are Roman Catholic school boards; and two are Protestant school boards. As of 1975 these boards contained about 4 000 elementary schools and about 1 390 000 elementary pupils.

*Province-local*

In its various provincial approaches to the financing of schools Canada has historically been quite deferential to the principle of local autonomy in educational finance. The provinces, which are the central governmental units with the constitutional responsibility for financing education, largely delegated that responsibility to local school districts. These districts had separate governing structures and were granted substantial independent power, including the power to levy taxes in support of education. Most frequently this was a tax on the residential and commercial property contained within the district.

Although all Canadian provinces still rely on local districts to provide primary educational services, the role of the provinces in the finance of primary education has increased substantially in recent years. Since the mid-1950s the average provincial share of provincial/local school expenditures nationwide has risen substantially—from 38 per cent in 1954, to 52 per cent in 1964, and 65.5 per cent in 1973. In 1964 only two provinces provided over 60 per cent of provincial/local resources, while by 1973 this number had risen to eight, with two provinces—New Brunswick and Prince Edward Island—adopting a system with full provincial assumption. Finance patterns in Ontario, the Canadian province whose finance system was studied, parallel those in the country as a whole. The provincial share of provincial/local revenues there rose from about 37 per cent in 1954 to about 64 per cent, roughly the national average, in 1973.

The system of intergovernmental transfers for education from the Canadian provinces is marked by a number of characteristics. First, the grants are education-specific; i.e., they are made directly to local school districts to be used for education alone. They are not usually channelled through municipal governments. Second, they are almost invariably block grants which can be used by local districts in accordance with their own educational priorities. This is in strong contrast to many of the European systems where earmarked grants cannot be transferred from category to category. Even where grants are categorical, the Canadian approach provides for wide latitude for district use of grants within the prescribed area. Third, there is relatively little central regulation of the use of grants once minimum programme standards have been provided. Finally, most aid systems attempt to achieve some degree of equalization of either expenditures or access to resources among districts—although with varied success.

The Ontario approach to primary education finance has as its major objective the equalization of access to resources for education. Provincial aid for current ordinary expenditures, which includes all expenditures except debt charges, transportation, and capital expenses, is distributed in the form of a percentage equalizing grant, which puts all school boards on an equal footing with respect to providing equal dollars, up to a maximum amount per weighted pupil—\$1 080 for elementary school pupils in 1976. Up to the maximum grant level, the formula aids a higher proportion of locally determined operating costs in districts which are poor in assessed property valuation per pupil than in districts which are property-wealthy. Expenditures above the maximum are financed exclusively from the local property tax.

The needs of children with special educational problems are provided in Ontario through modifications of the amount distributed under the basic general purpose grant. For purposes of grant calculation, pupils are weighted in relation to the extra cost presumed to be incurred in educating them because of the characteristics of the pupils themselves, their socio-economic environment, their geographical location, or the size of their school or school district. The local

district is free to use these additional funds to develop the programmes which are provided to these children.

The one exception to the pupil weighting approach is the assistance for French language programmes for both Francophone and non-Francophone children, which is in the form of an equalized per pupil grant. But, even here, it is worth noting, though these may be considered categorical grants by some definitions of that term, they are not "earmarked". That is, the money for French language programmes forms merely part of the block grant payable to a board by the provincial government.

The province also finances recognized extraordinary expenditures—debt services, transportation, and capital expenditures from the revenue funds—under a percentage equalizing formula, although with a higher province/local sharing ratio and with more stringent cost controls than those used for the control of ordinary expenditures. In exchange for this diminution in autonomy the boards may borrow on advantageous terms from the Canada Pension Plan. Thus, while local boards propose school building plans, the provincial authorities can, and frequently do, dispose in ways that shape local board policy rather decisively.

### *Federal*

The federal government in Canada has historically played a small role in the financing of schools, since the function has constitutionally been reserved to the provinces. In recent years, however, the federal government's role has increased considerably. In 1970, for example, the federal share of elementary education expenditures had reached about 9 per cent, although there was a wide range among the provinces—from about 28 per cent in Newfoundland to 2.5 per cent in Ontario.

The federal government in Canada distributes aid to provincial governments through both general and categorical programmes. General grants involve a revenue equalization mechanism to bring each province up to the national average in per capita yield for each of its revenue sources, as long as it levies taxes at national average tax rates. Funds may be used for education and other provincial functions. The categorical grants are used primarily for partial reimbursement of language programmes developed and administered by the province. The programmes, which were started in 1970, were designed to permit members of an official language majority group to acquire a knowledge of their second official language and for members of an official language minority group to be educated in their first language. Two English language provinces, Ontario and New Brunswick, together account for about 80 per cent of all Francophone elementary students being educated in the minority language.

### **POLICY ISSUES**

#### *Equalization*

In recent years both federal and provincial governments have become increasingly concerned with equality of educational opportunity. In Canadian terms this objective has two major components: equalization of the fiscal capacity of lower governmental units to provide educational services for normal student populations; and the provision of additional resources for students with special educational needs.

To accomplish the first objective, the federal government uses a general grant which brings each province up to the national average in per capita yield for each of its revenue sources. Although the grant does not provide direct

assistance to education it does indirectly support it by strengthening the general fiscal capacity of economically weak provinces. The province of Ontario uses the education-specific percentage equalizing grant, already described, to equalize the ability of school districts to spend up to a maximum per pupil amount for ordinary expenditures. Equalization grants are also used for "extraordinary" expenditures, including transportation, debt service, lodging, and board, and capital expenditures borne from current revenues.

The provision of resources for students with special educational needs is approached somewhat differently at the federal and provincial levels in Canada. Major direct federal involvement is in the form of categorical grants in program areas of national interest. These have included technical and vocational education, regional economic development, and, since 1970, bilingual education. In contrast, the province of Ontario ties additional support of special needs students to its basic equalization formula. Pupils who are socially, economically, culturally, or linguistically atypical, who live in remote areas or in urban areas with older buildings and more mobile populations, and who require special education services, are "counted extra" by weighting for provincial grants purposes. However, both categorical and pupil-weighting grants are relatively free of strings, and provincial governments and local education agencies (l.e.a.s) have wide discretion in the use of these resources.

#### *Autonomy and parental choice*

In contrast with its level of financial support of primary school which has historically been fairly low, Ontario has traditionally exerted a high degree of central control over the structure and content of education, particularly over such areas as curriculum, methods of teaching, textbooks, and supervision of instruction. Since 1969, however, many of the educational policy decisions which were formerly made at the provincial level have been delegated to the local school districts. Some of these include: supervision of instruction; provision of kindergartens; textbook selection; curriculum; and transportation. The Ontario system thus provides an example of increased central funding not leading to increased central control, and it shows that decentralization of decision-making can be facilitated at the same time that the central government increases its share of education expenditures.

Parental choice of type of schooling, defined primarily in terms of secular v. non-secular education, has historically been facilitated through extensive public funding of denominational (and, more specifically, Roman Catholic) schools in Ontario. At present there are two publicly-supported elementary school systems: the non-denominational public elementary schools, and the predominantly Roman Catholic separate-school system<sup>2</sup>. Separate-school boards have the same powers as public school boards do. They are empowered to set tax rates on the property of separate-school supporters; and municipal councils *must*, on separate-school board request, levy and collect those taxes. The separate-school boards also receive provincial grants according to the same criteria as public school boards. Consequently, the non-secular schools can provide a realistic alternative to parents who desire a religious education for their children.

2. There are two Protestant separate school boards. No new Protestant separate schools have been established for over 100 years.

## ENGLAND AND WALES

### BACKGROUND INFORMATION

The United Kingdom is a constitutional monarchy. Its major subdivisions are England, Wales, Scotland and Northern Ireland. The vast majority of the population—over 80 per cent—resides in England, with large concentrations in the southeastern part of the country in the area around London. Although the United Kingdom is formally a unitary state, government practice resembles many of the federal states described in this paper, as substantial authority for the provision of public services, including education, has been delegated to lower governmental units.

In January 1975 there were about 4 950 000 primary school children enrolled in England and Wales in 22 678 primary schools maintained in whole or in part by the local education authorities. These are the so-called "maintained" schools. These included about 1 300 000 children enrolled in 8 000 "voluntary" schools (that is, schools having a church [denominational] affiliation). In addition, approximately 430 000 children (all grades) were enrolled in some 2 400 independent (non-state) schools.

### FINANCE ARRANGEMENTS

The English approach to financing primary education combines a fairly high level of pooled central support for locally-provided services, including education, with extensive local control of the allocation of these resources. In contrast with most other countries where local authorities must allocate funds for the schools according to centrally determined criteria, the local authorities in England possess considerable discretion over the allocation of funds between education and other functions. The local education authorities (l.e.a.s) similarly have wide discretion in allocating resources among school levels and program areas. In the words of the author of the country study on England and Wales on the arrangements for providing and financing education: "There is not really a system, but rather a legal framework within which many independent bodies operate."

Localities in England rely largely on property taxation to provide revenues for all public services, including education. However, since local income via the "rates" is frequently too small and insufficiently buoyant to meet all expenditures that local authorities must meet, central government transfers are used to supplement local revenues. The system of transfers in England reflects the integration of educational finance with local public finance and the high degree of local autonomy. The rate support grant, which is the most important grant in the system, is a block grant which provides over 50 per cent of local government revenues. The grant is provided by the central government to localities to equalize access to resources for all locally provided public services, including education. It operates in the following manner.

The grant has two major elements: "resources", and "needs" elements. The resources element centers around a wealth per capita measure, based on the "standard product of a penny rate". This is calculated by multiplying the population of a local authority by one per cent of the ratable value per capita for all of England and Wales. Local authorities whose actual product is below the standard product are subsidized by the government to bring them up to the national average; however, richer authorities are not "taxed" to cut them down to the average.

The needs element arises from the recognition of the different levels of

demand that local authorities have to face. Among the variables taken into account are: total population; number of children under 15 years; number of children under 5 years; population over 65 years; population density; roads; rate of decline of population; metropolitan jurisdiction. (The most significant of these weights include population—50 per cent, and the education units—40 per cent—which are weighted according to pupil age level.) The total weight per thousand population of all the elements is calculated and compared with a base; the excess is multiplied by a given number of pennies per person, which then constitutes the grant to the local authority.

The rate support grant can be used by the locality at its discretion. Although a portion of the grant is implied for education, the locality does not have to use it for school purposes. In addition, the funds which are allocated by the locality to the l.e.a. can be used with great discretion. Although the central government may view primary education as a greater priority than secondary education, the l.e.a. may choose to concentrate its resources in other areas, with little likelihood of central government interferences. The English approach to transfers may be summarized in the following way: The system as it works at present does not make for a strong connection between finance and objectives if by that is meant one by which the central government can determine what happens at the periphery. Where funds are made available, even if a general purpose is being aimed at, in large part the detailed allocation will be decided locally. And the specific purposes reached will not always correspond to the original broad objectives. Thus, while lack of funds may inhibit development, their provision does not necessarily encourage it.

The approach described above is also apparent in the one recent English effort to deal with a specific education problem, namely educational disadvantage. The problem was highlighted in the Plowden Report of the mid-1960s, which argued that there should be positive discrimination in the allocation of resources to schools in deprived neighborhoods. The response of the central government was an extra allocation of school building funds in priority areas, and an extra allowance for teachers in exceptionally difficult schools. And, toward the end of the 1960s, the government introduced an Urban Programme which covered housing, health and welfare, as well as education. However, all of these funds were provided with few restrictions from the centre. The procedure adopted was to decide centrally the resources available and the criteria of need, accept bids from l.e.a.s for resources, and select or grants those schools where the needs were judged to be most urgent.

L.e.a.s initiate capital projects and bear the interest and amortization costs of loans. However, they must apply to the central government for permission to raise a loan for school building. Permission is not automatically assured. Indeed the central government has been able to use its "loan sanction" powers to influence standards of school accommodation across the country, and to promote its reorganization plans, especially in the area of secondary education. However, in the area of capital construction, as elsewhere in school policy, the central government can restrain, cajole and offer rewards to the l.e.a.s, but it cannot order or demand with any certainty that it will be obeyed.

## POLICY ISSUES

### *Equalization*

The approach to financial equality used in England has its primary focus on equalization of fiscal capacity. The basic mechanism of intergovernmental transfer, namely the rate support grant, is a block grant which equalizes on the

basis of centrally determined criteria of resources and needs for all public services. There are also some specific grants which focus on services for children with educational disadvantages, most notably the Urban Programme, which also provides resources for housing, health and welfare, as well as education. However, these resource allocations are relatively small in comparison with the general rate support grant.

### *Local Autonomy and Parental Choice*

Before 1959 the central government supported the expenditures of local authorities by means of a capitation grant and varying percentages of different types of approved expenditures. For primary schools, the percentage reimbursements, were typically fixed at 50-60 per cent of expenditures. The process of auditing local authority accounts to determine allowability or non-allowability of expenditures for reimbursement supported a great deal of, at least, formal control by the central authority over local authorities' activities. The change to a block grant system has meant a certain degree of relaxation of detailed control via financial mechanisms, and has reinforced the sense of wide discretion that local authorities in England and Wales have enjoyed.

However, two qualifications are in order. First, the power of the central government to set the overall size of the funds available for block grants is very important and local authorities find that in times such as the present, with central government sources of funds being severely constricted, their freedom of action and discretionary powers, while still great in aspiration, are rather limited in practice. Second, the central government has assumed steadily greater powers of direction via non-financial instruments, particularly in the area of secondary school organization.

The local authorities use public funds to maintain church-related (denominational) schools alongside their own ("council") schools in return for a certain degree of control over school staffing, curricula and other school policies. In that way, parents (especially Roman Catholics) who wish their children's education to embody a specific denominational emphasis are able to do so without extra cost.

Increased parental involvement in educational decision-making has become an issue within the last ten years, as dissatisfaction with the performance of the educational system has led to increased pressure for parent input. To date, there has been some study of the issue, but no financial instruments have yet been developed to facilitate parent participation.

## GERMANY

### BACKGROUND INFORMATION

The Federal Republic of Germany, established in 1949, contains eleven Länder. These include the eight large-area Länder of Schleswig-Holstein, Lower Saxony, North Rhine-Westphalia, Hesse, Rhineland Palatinate, Baden-Württemberg, Bavaria and Saarland and the three city-states of Hamburg, Bremen and Berlin. Under the 1949 Constitution the Länder have been given primary responsibility in the area of primary education.

In 1974 there were approximately 6 481 000 pupils attending 18 000 primary and lower secondary schools in the Federal Republic. Of these, about 41 500 pupils were in non-public schools. The non-public primary school population thus constituted about 0.6 per cent of the primary school enrolment.

*Land-Gemeinde*

The German approach to primary school finance is marked by a fairly high level of central government (Land) finance, and a substantial, although often indirect, influence of the central government on local expenditure of revenues. Local school authorities (Schulträger) and Länder share responsibility for the administration and financing of primary schools. The Schulträger are usually the communities (Gemeinden). This division of responsibility dates from the nineteenth century, when the Länder gained responsibility for "internal school matters", i.e., curriculum, hiring of teachers, teacher training, and the general structure of education, while the Gemeinden were left with the responsibility for non-pedagogical, or "external" school matters, such as the establishment and maintenance of schools, acquisition of materials, and hiring of subsidiary school personnel. With the promulgation of the Basic Law of the Federal Republic in 1949, the primacy of the Länder in educational decision-making and in the responsibility for educational finance was firmly re-established, and the previously-established division of educational responsibility and competence between the individual Land and its communities was, in principle, maintained. Along with the increase in Land control came an increase in the proportion of revenues provided by Land governments. By 1973-1974, Land-raised revenue comprised about 69 per cent of the share of the total for all schools, and about 62 per cent of the total for primary and lower secondary schools, while revenues raised by the Schulträger or local school authority (usually a county or community) averaged nationwide about 30 per cent and 37 per cent in the respective categories.

Intergovernmental transfers from Land governments to local governments in Germany are of two basic types: a general financial equalization grant, and appropriations for specific services and categories of expenditure. The former is distributed under two criteria which have different definitions in different Länder. They include a financial requirements indicator based mainly on population and community size, and a tax-income indicator based on land-, trade-, and income-tax revenues. The purpose of the grants is not to achieve complete equalization, but rather to improve the financial strength of the community up to a certain level. The second type of grant, namely categorical grants, which are earmarked for particular purposes, are also used in the direct funding of education.

In the area of professional personnel the Länder play a major role in the determination of personnel costs and in the allocation of personnel to individual schools. Though partly bound by constraints imposed by a federal civil service system which has strong tenure and salary restrictions, they have considerable control over those factors which determine the need for teachers (pupil-teacher ratios, hours of instruction, and teaching load). The costs of these Land decisions are fully financed at the Land level.

In contrast to teacher salaries, the responsibility for financing other operating expenses rests primarily with the Schulträger. However, the central government exercises a high degree of control of these expenditures through regulations which require and/or proscribe local activities. In the area of learning materials, for instance, the Länder issue lists of school books that are permitted for use at various class levels in different types of schools, and specify the minimum and/or maximum per capita expenditures for learning materials. The Länder may also establish certain standards of equipment and maintenance to be provided by Schulträger. The intended effect of these regulations is to standardize the educational programme offering within each Land.

All Länder participate in financing school building costs via specific subventions, and they all exercise a rather high degree of regulation over matters of school construction. Most Länder are involved in such aspects of capital construction as: assessment of the supply and availability of educational facilities; the determination of future capital needs; specification of classroom and model school standards; establishment of centrally fixed cost standards to which state assistance is tied. However, there are some important differences among the Länder in these matters, manifested in two main ways: first, in the magnitude of Land support; second, in the level and proportion of different types of support which, in addition to specific subventions, may include interest-free loans, interest and repayment subsidies, and contributions to investment funds.

### *Federal Government*

Under the Basic Law of 1949 the German federal government was given no responsibilities regarding the provision of primary and lower secondary education. (This was changed slightly with the revision of the Basic Law in 1969, but the federal government still has only very limited powers to participate in certain general structural areas of school decision-making.) As a corollary, it plays only a miniscule role in the financing of primary education. In contrast with Australia, the federal government does not provide the local Schulträger with any direct grants or transfers. It is limited to providing support to the Länder through general and special fiscal equalization grants. The former guarantee "poor states", i.e., those with a combined state and community income tax revenues below the federal average, at least 95 per cent of the federal average. The latter support investments in low income states. These grants may indirectly support education by strengthening the fiscal capacity of poor Länder to provide it.

### **POLICY ISSUES**

#### *Equalization*

The concern for equalization of fiscal capacity has been demonstrated by both Land governments and the federal government in Germany. Both have developed fiscal equalization mechanisms which attempt to compensate for differences in the fiscal capacity of lower government levels to provide public services and which incorporate measures of community need. By strengthening the economic base of the Länder and Gemeinden, federal and Land governments respectively contribute at least indirectly to the ability of fiscally weaker units to provide a quality educational programme.

## **ITALY**

### **BACKGROUND INFORMATION**

The Republic of Italy is a unitary state which has in recent years moved toward a more decentralized administrative structure. The country now contains 20 regions which function as intermediate governmental units between the central government in Rome and over 8 000 communes, the local governmental units.

The regions of Italy vary widely in their level of economic development. In general the northern portion of the country is substantially more economically developed than southern Italy and Sicily.

In 1975-1976 the number of children in primary schools in Italy was

approximately 4 500 000 and the number of schools about 31 000. The number of children in non-public schools was quite small, totalling only about 7 per cent of the primary school population.

#### FINANCE ARRANGEMENTS

The responsibility for the provision of primary education in Italy is shared among three levels of government. Historically the state has played a paramount role since until recently it was constitutionally responsible for the establishment of schools, the recruitment payment of teachers, the determination of curriculum and the provision of textbooks and other supporting services. Beginning in 1972, however, the newly-created regions were granted more authority over support structures and ancillary services in the area of primary education. The regions in turn have delegated much of this responsibility to the communes, which now play a more important role than they did in the past.

However, the decentralization of decision-making over the primary education was accompanied by centralization of responsibility for its finance. Since 1973 local taxation has accounted for only about 15 per cent of primary education revenues, and the state share now stands at about 85 per cent. State finance generally takes two forms: intergovernmental transfers to both the regions and the communes which are based on the concept of equalization of fiscal capacity, and direct funding of specific elements of the educational programme.

The first type of grant is usually a non-specific block grant, which is distributed on the basis of centrally determined criteria. The grants to the regions, for example, are based on population (60 per cent), surface area (10 per cent) and economic capacity measured by such factors as immigration, unemployment and per capita income (30 per cent). Grants to the communes are based on school population (50 per cent) and compulsory school age population (50 per cent) and tend to have a corrective mechanism which favours small, scattered schools. Direct central funding, in contrast, is usually function-specific. Allocations are made for categories such as teacher salaries and other current expenditures on the basis of centrally-determined criteria and are non-transferable among categories.

Since 1972 the regions have also begun to play a role in primary education finance. In categorical areas such as transportation, board and family subsidies the regions delegate responsibilities to the communes and transfer the funds which are required for their execution. The funds are usually distributed according to two criteria: the size of the school population, and the socio-economic conditions of the area. They are also subject to different degrees of regulation across the country, although the regions in general reserve the right to decide on the allocation of resources to different educational levels.

In the area of capital expenses, there has also been a substantial increase in central funding and regulation during the post-war period. As educational requirements have continued to outpace local capacity to construct and renovate school buildings, the state has had to play a more active role. Today the state is integrally involved in the determination of planning costs, purchase of sites and projection of increase in construction costs, as well as in the financing of the construction costs of most primary schools.

#### POLICY ISSUES

##### *Equalization*

The Italian government has in recent years developed a number of financial instruments in pursuit of the goal of equalization in primary school finance. One of the most important ones is the fiscal equalization mechanism, described in

the previous section, which works to achieve some degree of equalization of access to tax resources. Second, in its distribution of funds for specific purposes, such as equipment and investment, a higher proportion of resources is reserved for the economically-weak sections of the country. Southern Italy, for example, with 30 per cent of the Italian pupils, is guaranteed 40 per cent of the state's resources for these functions. In addition, efforts have also been made to provide additional resources for extra services for children who are culturally disadvantaged. The state guarantees a three-hour extension of the school day by fully financing the overtime pay of required teaching staff.

#### *Autonomy and choice*

Educational decision-making in Italy has historically been highly centralized. Allocation of resources among categories has been centrally-determined, and localities have had little authority to shift resources according to local priorities and needs. In response to concern with the high degree of rigidity and lack of innovation in the system the Italian government has in recent years moved toward decentralization of decision-making. The process has taken place at two levels.

The most important involves the creation of councils for the participation of parents, teachers and students in the government of each school. These councils, which were established in 1975, have been given small budgets which include funds for certain items which were previously administered by the central government. Beginning in 1976-77, the councils will be entrusted with fairly large sums and will be able to distribute funds in a larger number of areas, including maintenance and current expenses, in-service training, didactic material and extra-curricular activities.

The second area of decentralization has involved the establishment of regional authorities with responsibility for a variety of functions, including some aspects of the educational programme. Much of this responsibility has been delegated to the communes, along with the financial resources to ensure their provision.

## NETHERLANDS

### BACKGROUND INFORMATION

The Netherlands is a constitutional monarchy with a unitary form of governmental structure. In comparison with the other countries in the study, the population of the Netherlands is relatively small. However, the compact area of the country makes it one of the most densely populated countries in the world.

In 1973, the primary school enrolment of the Netherlands was about 1 453 000 pupils, in about 8 300 schools. About 70 per cent of these children were in private (non-government) schools, which include both denominational and non-denominational institutions.

### FINANCE ARRANGEMENTS

The Dutch approach to the provision of primary education combines a high degree of centralization of finance with substantial local autonomy over organizational and pedagogical concerns. The municipalities, which serve as the local fiscal authorities for the public schools and as the vehicles for the transfer of public funds to the private schools, play a very limited role in the raising

of revenues for primary education. With the transfer of most of the taxing power to the central government in the 1930s the proportion of revenues raised at the local level has remained at about 10 per cent; centrally-raised revenues comprise the remaining 90 per cent. Within categories of central government transfer payments, however, the municipalities can exercise a fair degree of discretion in the expenditure of funds.

Local governments in the Netherlands receive assistance from the central governments through two basic types of transfer mechanisms: block grants and earmarked grants. Block grants, which constitute approximately 30 per cent of municipal revenues, form the discretionary money for municipalities to be used for local tasks. Earmarked grants, constituting about 60 per cent of municipal revenues, are given for specific functions, for which the central government is responsible but which the municipalities must implement. Grants for education are of this type, and hence are subject to a high degree of central government regulation.

The funding of teacher salaries is highly centralized. Decisions regarding salary scales and matters such as class size that determine the required number of teachers are determined nationally by decree. Through the Ministry of Education and Sciences, the central government then reimburses municipalities and the school boards directly for the statutory number of teachers. A unique feature of the funding principle is its extension to the private schools. Today, private schools are reimbursed for teacher salaries on the same basis as municipalities which finance public education. Supplementation of state-paid salaries by private schools is not permitted.

In addition to funding a statutorily-defined number of teachers, the Dutch system permits, to a limited extent, the employment of additional teachers, as well as vocational teachers. The funding arrangements in this area are somewhat more complicated. If a municipality employs teachers for public education it may or may not receive reimbursement from the Ministry of Education. School boards of private schools may submit the same request to the Minister. If the Ministry of Education does not reimburse the expenditures for additional teachers in the public schools they will have to be met by the municipality. In this case, the municipality must reimburse private schools for a proportional number of additional teachers as well. If the municipality meets the expenditure for additional teachers, it will draw upon its block grant from the Municipalities Fund for this purpose.

The Dutch system is also quite centralized and comprehensive in its treatment of other current operating expenses, besides teacher salaries. These expenses include: maintenance and minor repair of buildings and sites; maintenance of furniture; purchase and maintenance of school books and other teaching aids; school libraries; heat, light, and overhead. The approach used provides for central government reimbursement of an amount of money per pupil that the municipality has determined is available to the public schools. The reimbursement, which is an earmarked grant, comprises two main elements:

1. A grant per classroom. Actual expenditures observed in a survey taken in 1968 form the basis for grant calculations, with annual adjustments to take care of wage/price inflation. The reimbursements depend upon the size of the municipality, with larger amounts per classroom in larger municipalities.
2. A grant per pupil, also based on the 1968 observations. Since 1970 these reimbursements, too, have been differentiated according to the size of the municipality.

As with teacher salaries, the Law on Primary Education provides for private

schools to be treated comparably with public schools. The amount of money per pupil determined by a municipality for public schools is then multiplied by the number of pupils in private schools and made available to them. The reimbursement of municipalities by the central government referred to above comprises both the funds allocated to public schools and the funds made available by municipalities to the governing bodies of private schools. The governing bodies of private schools have some discretionary power, albeit within prescribed limits, to spend the money they receive for current expenditures other than teacher salaries.

Capital expenditures in the Netherlands consist mainly of interest and amortisation charges for investment in buildings, furniture and teaching aids. The municipalities contract the loans for both public and private schools. In the latter case there is a complex set of procedures designed to provide private schools with equal access to building funds, while ensuring that private school authorities are restrained from overbuilding and bear some responsibility for filling a new school. The municipalities are reimbursed by the central government for the capital expenditures in the form of earmarked grants. The reimbursement, in the form of a grant per classroom, is meant to cover:

- interest and amortisation charges that relate to the construction of buildings. Amortisation is calculated on the basis of a loan with a duration of forty years. Schools are classified by age-groups to facilitate the system of reimbursements;
- interest and amortisation charges that relate to enlargements/alterations;
- expenditures for purchase of furniture and teaching aids;
- rental of buildings. Reimbursement depends on the size of the municipality.

## POLICY ISSUES

### *Equalization*

In the Netherlands, too, equalization of financial resources for education has been a major concern of the national government for many years. Towards this end the Dutch developed a system of finance which virtually eliminated the power of local governments to raise revenues for education (as well as for other municipal services). Consequently, the tax inequities, and educational expenditure inequities, which in other countries were frequently tied to disparate local capacity to finance education, have been significantly reduced in the Netherlands. In addition, through the extension of the principle of equality to non-government schools, disparity in the provision of educational services between public and private schools has been largely eliminated.

Nonetheless, certain elements of the financing arrangements in the Netherlands continue to support inequalities of funding that are unrelated to differential costs and/or needs. One element pertains to disparities between large and small municipalities. Large municipalities receive larger current operating reimbursements per classroom and per pupil than do smaller municipalities, despite the fact that the higher reimbursements cannot be systematically justified on grounds of higher costs. Of greater significance, however, is the method of calculating the reimbursements. Reimbursements in the Dutch system are not made on the basis of the previous year's expenditures, but rather on the basis of expenditures in a base year (formerly 1962, presently 1968) with percentage adjustments for price and wage increases. Thus, municipalities which funded a particular service in a base year will be reimbursed for current expenditures on that service, while those that did not provide it—either by choice or because

of fiscal constraints—will not receive reimbursement for these same expenditures. Unless the base year is updated frequently, certain municipalities will be at a perpetual disadvantage.

#### *Local autonomy and parental choice*

At the same time that the Dutch have promoted equalization of resources and educational services, they have also attempted to retain a high degree of formal local autonomy over organizational and pedagogical decisions. Dutch municipalities and private school boards appear to have fairly wide latitude in determining expenditure priorities and in using central government operating funds in areas which are locally determined. There are, of course, certain limitations. Local authorities are required to provide at least minimum levels of certain centrally-mandated programmes or services and are forbidden other practices, e.g., paying teacher salaries above centrally-determined limits. Despite these limitations the Netherlands seems to provide another example of a case where an increase of non-local control does not necessarily follow an increase of non-local finance. While the revenue-raising authority has largely been removed from local authorities, they are, nonetheless, relatively free to expend funds which have been allocated according to centrally-determined criteria, without central government interference.

The Dutch have also gone to great lengths to attempt to ensure effective parental choice over their children's education. In the Netherlands parents not only have the right to provide their children with "the education that is in line with their way of life, their philosophy, or the educational methods they prefer", but they also have the right to receive public support when exercising that right. To establish a school and receive public money they need only make a request to the municipality and meet certain requirements. The school which they establish is guaranteed the full right of financial equality, which means that it is funded according to the same criteria that are used for the funding of public institutions. Thus in comparison with all of the other countries in the study, the Dutch system would appear to be one of the most far-reaching in its approach to effective parental choice.

## NORWAY

### BACKGROUND INFORMATION

Norway is a constitutional monarchy with a unitary form of government. The communes, which presently number about 450, are the prime units of local government in Norway.

Norway's population is the smallest of the ten countries examined in the study. With the exception of a few major urban centres, including Oslo and Bergen, much of the country, particularly the northern regions above the Arctic Circle, is sparsely settled.

The Norwegian compulsory school population (grades 1-9) numbered slightly less than 600 000 in 1976, in approximately 3 500 school units. The primary school population (grades 1-6) numbered slightly less than 400 000, in approximately 3 000 school units. The proportion of pupils in private schools constitutes about 1 per cent of student enrolment in both primary and primary/secondary public schools.

## FINANCE ARRANGEMENTS

The Norwegian system of primary school finance provides for substantial finance of many aspects of the educational programme at the commune level. The communes raise these revenues using a local income tax at a rate, presently about 22 per cent, fixed by the central government. These revenues cover about 55 per cent of the total operating expenditures for education. However, the central government assists localities through a variety of transfer payments.

The system of intergovernmental transfers in Norway—both for general purposes and for education—is based on the principle of equalization of access to resources, and takes into account the different fiscal capacities and special needs of different areas and population groups. There are two main types of grants to localities. The first type of grant, a tax equalization block grant, aims at the general strengthening of local financial capacity. It provides resources in inverse relation to local economic strength, and attempts to compensate for differences in local capacity—measured by revenue per capita generated by the fixed local income tax rate—to provide public services. The second type of grant, the earmarked grant for specific purposes, is distributed in inverse relation to local wealth, and takes into account estimates of varying needs for school resources. Teacher costs (which tend to be higher per pupil in small, rural and poor communes) are refunded on a percentage scale, based on the fiscal capacity of the commune. This amounts to 25 per cent of costs in the richest communes and 85 per cent in the poorest communes. On average, the central government funds about 65 per cent of standard teacher costs.

School transportation and overnight accommodation costs are also reimbursed in inverse relation to the fiscal capacity of municipalities. Reimbursements are scaled according to the schedule used for reimbursing teacher salaries. On average, the reimbursement level is close to 75 per cent of the total costs. Finally, the funding of other operating expenditures is largely locally based. The central government plays little direct role in the financing of these costs.

The Norwegian system of funding capital expenditures is also strongly locally based. School building for compulsory education is the responsibility of the communes. The central government does provide some grants for building purposes, which also tend to be distributed in an inverse relationship to local fiscal capacity, but these cover only about 10 per cent of local expenditures for school buildings. The communes may also float low interest loans from the state bank, but again, these amount to only about 20 per cent of the total expenditures for school buildings for compulsory education.

## POLICY ISSUES

### *Equalization*

For many years Norway has been concerned with the provision of educational equality for children in all parts of the country. The Norwegian approach to this objective has relied heavily on the detailed regulation of the organization and structure of schooling. Through regulation of such aspects of the educational programme as school size, class size, input of teacher time, etc. a standard, or uniform level of educational provision is to be guaranteed all children, regardless of their geographical location. Frequently, however, compensatory provision in favour of children in less wealthy communes with scattered populations has been achieved.

Financial instruments have been used in conjunction with regulation to accomplish the objective of equalization in Norway. These instruments, described

in the previous section, rely primarily on the principle of equalization of access to resources for education, within an assessment of socially differentiated needs. Expenditures for teacher salaries, transportation and accommodation are reimbursed by the central government in inverse relation to the economic strength of the communes; fiscally weak communes thus receive reimbursement of much higher proportions of their educational funding than do richer communes. In addition, the central government provides a general resource equalization grant. This grant helps fiscally weak communes to provide other services, i.e., those which are not subject to specific central government allocations.

#### *Autonomy and parental choice*

The Norwegian approach to primary education attempts to foster broad-based participation in decisions relating to the allocation of resources. At the individual school level, general collaboration committees composed of representatives of parents, pupils, teachers, other employees, the headmaster, and the communal school board, have been authorized to make determinations about resource distributions within the school. Through these committees, as well as through local school boards, whose members represent the local political parties, it is anticipated that the educational system will be able to respond effectively to the community's perception of educational needs by concentrating its resources in these areas.

## SWEDEN

### BACKGROUND INFORMATION

Sweden is a constitutional monarchy with a unitary form of government. The municipalities which are the units of local government presently number about 278, as large-scale municipal consolidation has taken place in Sweden in recent years.

Sweden's population is the second smallest of the countries examined in the study. With the exception of the population concentrations around Stockholm, Göteborg and Malmö, much of the country—particularly the northern regions—is sparsely populated. In 1975, the primary school population (grades 1-6) of Sweden, which numbered about 713 000 children, was housed in some 5 000 schools.

### FINANCE ARRANGEMENTS

The system of finance of primary education in Sweden combines a moderate level of central government finance with strong central control over the organization and content of the local educational programme. Municipalities, which have the responsibility for maintaining the schools, continue to provide about half of the resources for primary education from local income taxation, with the remaining half of the revenues coming from central sources. These latter funds are subject to a high degree of regulation from the center.

The system of intergovernmental transfer from central government to municipalities in Sweden shows a high degree of similarity to those employed in a number of other countries. The transfers are of two basic types: a general fiscal equalization grant, and grants for specific categories of expenditure. The former grant, which is distributed in inverse relation to local capacity as measured by taxable income per inhabitant, is used primarily to compensate for differences in local capacity to provide general municipal services. Categorical, earmarked grants tend to be used in the direct funding of education.

Grants for teacher costs are among the most important of these earmarked grants in Sweden. Like most others they are subject to a high degree of centralized regulation. The state centrally negotiates collective bargaining agreements with teachers and headmasters concerning rates of pay, working hours and conditions of service. Through the Education Ordinance the state itself determines such aspects of the structure of education as: required subjects, numbers of teachers, teaching periods, etc. It thus attempts to establish uniform pedagogical conditions throughout the entire country, and fully funds the costs of compliance with these decisions. While municipalities sponsor and employ teaching and administrative staff, the central government defines their employment conditions and pays for the costs thus incurred.

The finance of other current expenditures in Sweden differs from the funding of teachers' salaries. The primary responsibility for financing these services rests with the local unit. The role of the central government is more regulatory than financial, i.e., it establishes conditions for or constraints on the use of local money; it does not fund non-teacher expenditures. For example, state regulations stipulate the provision of certain minimum health services and free textbooks to pupils. Municipalities are obliged to provide the funds to cover at least these minima, but may also provide additional services—using locally-raised revenues—should they wish to do so. The salaries of non-teaching and administrative personnel, i.e., caretakers, clerical staff, welfare officers, school nurses, etc., are negotiated centrally by the Swedish Association of Local Authorities and the central unions. Municipalities employing these types of personnel—either by choice or in compliance with central regulations—have to acquiesce in the agreements thus concluded. In summary, most additional operating expenses in Sweden are provided by the municipalities under restrictions or conditions which are centrally determined.

The Swedish approach to capital funding parallels the approaches used in funding current operating expenses other than teachers' salaries; localities provide a high level of funding, but the central government strictly regulates costs and school building specifications. Basically the system operates in the following way. The central government, via the National Housing Board, develops a set of coefficients reflecting the different levels of construction costs in the various parts of the country. This serves as the standard for payment of grants-in-aid for all projects which qualify under centrally-funded standards. Grants are made on a percentage basis inversely related to local fiscal capacity, as measured by taxable income per capita. The balance of the costs is paid from local taxation. The grants thus serve two purposes: first, they determine a ceiling for general school construction costs; second, they provide greater assistance to fiscally weak municipalities.

Achievement of the first purpose, cost control, is also accomplished through regulation of borrowing. Even if a municipality decides to erect a school without applying for a state grant-in-aid towards the costs, the government will not sanction borrowing in an amount exceeding centrally determined standard costs of construction. Should the municipality embark on a project which exceeds these cost-levels, the government will deny it permission to raise a loan to finance these costs.

## POLICY ISSUES

### *Equalization*

For several decades one of the explicit aims of educational policy in Sweden has been to equalize the provision of educational services for all students, regardless of their economic and social background and geographical location. Towards

this end Sweden has developed an approach which relies less directly on financial instruments and more heavily on detailed regulation of the organization and content of the educational programme. In other words, Sweden has pursued equalization more through standardization of educational provision than through finance equalization.

Although finance instruments have had more limited use than regulation, they have still played a role in the effort to equalize educational services. Most notable among these instruments are the specific grants which fully fund certain elements of the normal education programme, for example, teacher salaries, and partially fund special programmes of national interest, for example, the schooling of immigrant children. In addition, the general equalization grant described in the previous section indirectly helps fiscally weak municipalities finance non-centrally funded education expenditures by strengthening the fiscal capacity of these units.

#### *Autonomy and parental choice*

In recent years a movement towards decentralization of educational decision-making has begun to develop in Sweden. The high degree of detailed regulation, with its concomitant rigidity and lack of sensitivity to local needs, has created pressure for greater local determination of the use of educational resources. Under the S.I.A. Commission reform, portions of which will take effect in 1977 and 1978, the local education agencies will have greater discretion over many aspects of the educational programme which are presently centrally regulated. Municipalities will also be given greater freedom in the use of salary grants and will be able to transfer certain resources among different schools, grade levels and student groups. Finally, there will be some decentralization to the school level. Individual schools will be given the responsibility to plan and establish a school day that will include free activities as well as lessons.

## UNITED STATES

### BACKGROUND INFORMATION

The United States is a federally organized country which contains 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and a number of other overseas possessions. Under the U.S. Constitution the states have plenary power in the field of education, since authority in this area was not specifically delegated to the federal government.

The United States, with a population of over 210 millions, is the most populous of the countries examined in the study. In 1974 there were 22 300 000 children enrolled in grades (1-8) in 65 000 schools. Just under one-tenth of the total enrolment is in non-public schools.

Of the two states examined in detail, California, with over 21 million persons, and one-tenth of the United States total, ranks first in terms of population size, while Florida, whose population had grown to 8 300 000 in 1975, ranked ninth among the states. The two states differ substantially in the size, structuring, and organization of their elementary school systems. California has over 1 000 school districts and about 5 500 000 elementary and 1 500 000 secondary school students in 1974, of whom 626 000 were in the single Los Angeles school district. Florida had only 67 school districts and 1 420 000 elementary and 460 000 secondary students, with 80 per cent of Florida's students concentrated in about twelve districts.

The arrangements for financing primary education in the United States bear strong resemblance to those described previously for Canada, since there has been substantial interchange of ideas and practices between the two countries. As in Canada, education has historically been thought of as a special function which should be financed separately from other local services. In pursuit of this objective states provided for the creation of separate school districts whose elected or appointed boards could levy taxes in support of the schools in the district and make major decisions about the structure and content of schooling.

In recent years the role of the states in the financing of education has increased substantially, with the average state share of state-local expenditures rising from about 40 per cent in 1960 to about 45 per cent in 1975. However, local revenues still constitute a major portion of primary education funds. New Hampshire represents an extreme example of this, with an 8 per cent state share, but many states are still below 40 per cent, and only a handful fund at the 60 per cent level or higher. Florida and California, the two states examined in the United States study, are in different positions relative to the national average in level of state funding. Florida is substantially above it, with the state share at 62 per cent in 1973-74, while California is approximately at the national average, with a 46 per cent share in 1973-74.

Despite the differences in funding levels, both states share a number of characteristics in common. First, they have both substantially increased their share of education revenues in recent years. In Florida the state share has risen from 57 per cent in 1970 to its present level, while in California the rise was from about 35 per cent in 1970—a 10 per cent change in a period of a few years. Second, they represent state governments that have made substantial efforts to introduce greater equalization into their educational finance mechanisms. The Florida system, enacted in 1973, is generally viewed as a model of reform for other states.

The California system, which was modified in response to a decision of the California Supreme Court which overturned a previous statute, has eliminated some of the more disequalizing features. A brief outline of the mechanics of each of these systems is presented below.

The Florida system of intergovernmental transfers operates in the following way. Each school district in the state is required to levy an eight-mill<sup>3</sup> property tax rate, in return for which it is guaranteed receipt of sufficient funds to cover the cost of a basic level of school provision, or \$745 per pupil in 1975-76. However, the student count is weighted to take account of differing pupil needs based on age and programme requirements and differential costs of educational services across the state. For example, in recognition of the importance of early childhood education, children in grades K-3 are counted 1.2 times children in grades 4-9. Other weights are used for special education students and students in vocational education programmes. There is also a cost-of-living factor ranging from \$0.91 to \$1.09 under which a district's total cost level is adjusted up or down to reflect differential living costs in differing parts of the state.

School district use of funds in the basic programme in Florida is relatively free of state regulation. Much traditional state regulation, in such areas as teachers' salaries and pupil-teacher ratios, was eliminated when the new formula was enacted. However, Florida also funds a number of categorical programmes and provides additional funding for children with special needs. To insure that funds are spent on the target groups, the state has developed a regulatory

3. An eight-mill property tax means a tax of 0.8 cents per dollar of assessed valuation.

mechanism known as school site budgeting and accounting. The 1973 statute required a detailed budget for each school to demonstrate the link between the receipt of specific state funds and the operation of special school-based programmes, and to allow the state to trace its funds to school sites and pupils.

The California school finance system is also grounded in the notion of a basic or foundation programme, but uses different instruments to finance it. The programme is based on the assumption that there is some minimum acceptable expenditure level of education that the state government should guarantee to all students, regardless of their school districts' fiscal capacity. For primary schools this was fixed at \$888 per pupil in 1975-76. To provide this amount, the state distributes aid under two types of payments: basic aid and equalization aid. Basic aid is a flat amount of \$125 per pupil. Equalization aid works in the following way.

Each local district is required to contribute a part of its local property tax to the support of the foundation programme. This amount is determined by applying a computational tax rate to the district's assessed valuation. If this exceeds the foundation level the district will receive only the basic \$125 per pupil from the state. If the local contribution is less than the foundation level the difference between them is provided in the form of equalization aid. Districts, however, are not prevented from spending above the foundation level or from taxing at higher rates. Indeed, they frequently have to do so, as a result of inflation and rising educational costs. Consequently, school districts have widely divergent levels of educational expenditures per pupil, that tend to be strongly associated with local fiscal capacity. In short, the system has a number of equalizing features, but still falls considerably short of complete equalization.

The basic school programme in California is not subject to a great deal of direct regulation. However, school districts are mandated by the state to provide a substantial number of programmes and to meet certain programme requirements; these clearly limit local autonomy and control over expenditures. Nonetheless, in the area of taxation and expenditure beyond these minima and requirements, local autonomy remains an integral part of the California system.

In the area of categorical grants, which are targeted to children with special needs, there is more extensive regulation of the distribution and use of funds. Some of the major programmes include, in order of funding level:

- Special Education Programme
- Compensatory Education Programme
- Educationally Disadvantaged Youth Programme
- Early Childhood Education Programme
- Textbook Programme
- Special Elementary School Reading Instruction Programme
- Bilingual-Bicultural Education Programme

However, unlike Florida, which has extensive monitoring of the flow of funds at the sub-district level, California does not scrutinize the distribution of categorical funds by local school districts. Consequently, there is some uncertainty about whether the extra money reaches the targeted populations.

#### *Federal-state*

As in most other federal countries, the federal government in the U.S. has historically played a small role in the financing of education, since the function has constitutionally been reserved to the states. Up until the 1960s, federal revenues constituted less than 4 per cent of the total and were directed to a few specific programme areas.

In recent years, however, the federal government's role in school finance

has increased considerably. Today in the United States the federal share of education revenues has stabilized at around 7-8 per cent, after reaching a high of about 9 per cent in the early 1970s. However, there is a substantial variation in the federal share across the states, ranging from about 29 per cent in Alaska and 24 per cent in Mississippi to 3.9 per cent in Wisconsin and 4.6 per cent in Connecticut in 1973-74.

In contrast with state aid systems, which until recently have been predominantly general aid, federal aid in the United States is largely distributed in categorical grants targeted to particular pupil populations. In 1973-74, federal aid to elementary and secondary education was about \$4.2 billion, of which about \$2.3 billion was directed toward disadvantaged children (largely under Title I of the Elementary and Secondary Education Act of 1965), \$500 million to vocational education, and \$300 million for handicapped children. Other programmes have been developed to finance libraries, guidance equipment, provide technical assistance and staffing to state education departments, promote innovation and parental involvement in education decision-making, but they remain a small part of total federal aid.

## POLICY ISSUES

### *Equalization*

For the last decade, school finance equalization has been a major policy concern in most states in the United States. In the wake of a flurry of lawsuits, many states, including Florida, reformed their school finance systems through the adoption of new school finance statutes. Other states, including California, modified existing finance mechanisms with the objective of introducing greater equalization into the system<sup>4</sup>. Equalization might also have become a major policy concern at the federal level, had the U.S. Supreme Court not upheld the Texas school finance system in the *Rodriguez* decision. Nevertheless, the federal government continues to maintain an interest in the provision of additional resources for children with special educational needs.

To achieve equalization, both Florida and California use a variant of a "foundation" programme. Under this approach, described in earlier sections, the state attempts to guarantee that at least a minimum amount will be spent on every child in the state, regardless of geographical situation. In other words, the state attempts to provide some degree of expenditure equalization. Both systems also move in the direction of tax equalization, simply defined as "equal dollars for equal tax effort", but certain features of the California finance system clearly work counter to the objective.

Both states also recognize the need for providing additional resources for children with special needs. California uses a categorical programme approach, similar to the one used by the federal government, which provides additional resources to school districts outside the basic aid formula. In contrast, Florida provides additional resources to high-need students through a modification of its basic aid formula. High-need students are "weighted", or counted extra when state aid calculations are made. In contrast with most other states, Florida also attempts to ensure that these resources are actually spent on the student they were intended for through a financial accounting mechanism which traces the flow of dollars to children in individual schools.

4. A recent decision of the California Supreme Court ruled that these changes were still insufficient to establish a finance system that was sufficiently detached from differences in local property wealth to be acceptable by the courts.

### *Autonomy and parental choice*

The extension of the locus of fiscal decision-making below the school district level to include either school-site administrators or parents and students has in recent years become a policy concern in many states. Towards this objective, Florida has begun an experiment with school-site lump-sum budgeting. Prior to its adoption in 1973, most Florida schools operated under standard personnel and programme formulae that were established by the central school district. School principals could not adapt the standard educational offering to their particular local conditions. Under the present legislation, reallocation of resources among different programme areas in both permitted and encouraged by the state. In the particular context of Florida school politics this presumably implies a greater degree of responsiveness to local parental preferences than would otherwise be the case.

## YUGOSLAVIA

### BACKGROUND INFORMATION

The government structure of Yugoslavia is organized along federal lines. The country contains six Republics (Serbia, Croatia, Slovenia, Montenegro, Bosnia-Herzegovina and Macedonia) and two autonomous regions (Kosovo and Vojvodina). Until recently the Republics had major authority in the area of primary education. However, much of this authority has recently been delegated to lower governmental levels.

Yugoslavia's population of about 20 million places it in the middle of the ten-county sample.

In 1975-76 Yugoslavia's primary school population totalled about 2 850 000, enrolled in 13 442 schools. All of these were government-established institutions.

### FINANCE ARRANGEMENTS

#### *Republic-Community*

In the period since 1945 Yugoslavia has consistently moved in the direction of greater decentralisation in the provision and finance of public education. Along with wide decentralisation has come a serious attempt at debureaucratization of school administration—an attempt to move administration out of the main channels of local and republic government and into the control of a set of cooperative and popular participatory institutions. Until 1958 the Yugoslav central government played a major role in the modelling of the school system. Then in the late 1950s the republics began to pass laws in the area of education. In the federal constitution of 1963 republic competence in this area was fully established. Most republics have exercised their constitutional authority through the establishment of minimum education programme standards and through regulation of such elements of the instructional programme as class size, subjects of instruction, length of the school year, and teacher qualifications. They also finance a portion of educational costs.

Through the 1960s and the 1970s, however, the Yugoslav system became even more decentralized. The General Law on Educational Finance (1966) mandated the establishment of "communities of education"; under the 1974 Constitution they became the "self-governing interested communities of education" (SGICEs) the executive authorities in the field of education. The SGICEs are associations of citizens, employed persons, and teaching personnel who receive tax funds and administer the schools. At the commune level, they

appear to have much in common with the school boards found in North America, except that they offer a definite and important role to teachers and other school personnel. SGICEs are also established at the school level on the one hand and at the republic level on the other. They are presently accorded the power to establish the cost of education (level of expenditure) and to make decisions on the allocation of resources among various education categories. They also enjoy the option of "adding-on" above the minimum programme standards defined by the republic, either through taxation or through voluntary contributions from citizens. The SGICE at the commune level submits to a taxpayer's vote one of three levels of cost per pupil: high, middle, or low. A high level of provision requires an expenditure per pupil that is 23 per cent above the middle; the low level, 23 per cent below. In terms of level of funding of the overall cost of elementary education the local proportion is quite high—about 85 per cent, on average, for the country as a whole. Thus, the Yugoslav system is now quite decentralized—both at the level of provision and at the level of finance.

Via the republic SGICEs most republic governments, however, provide some forms of intergovernmental transfer to the SGICEs. The grants, which include a general grant for the development of less developed regions and specific grants for particular educational problems, operate in the following way.

The general grant is distributed to SGICEs unable to finance elementary education at the pedagogical standard defined by the republic (this standard includes the following elements: personnel expenditures, material costs, and amortization of basic loans). SGICEs are provided with supplementary resources in the amount of the difference between the defined pedagogical standard and the available resources of the community, estimated by the application of a fixed income tax rate on employment and agriculture and certain other contributions. Thus, in some of the poorer communities, the local share of expenses for elementary education declines to about 65 per cent, while the republic share rises to about 35 per cent.

Republics have also taken an interest in two major programme areas of current expenditures. The first is bilingual education. In nationally mixed areas instruction must be provided in two languages, which results in costs about 25 per cent higher than those in monolingual schools. Most republics provide the revenues for these additional programme costs. The second area is special education for handicapped children. Where these children require special schools, or special classes in individual schools, the republic makes a substantial contribution to their provision—on average about two-thirds of the total cost.

Capital expenditures are also financed by most republics on the basis of the fiscal capacity of the SGICE. The fraction of total capital expenditures that must be borne locally follows closely the relation of local income levels to the republic level. In one of the republics, for example, localities with a per capita income at 20 per cent of the average for the republic must fund only 20 per cent of capital costs, while those with 91 per cent or more must fund at the 80 per cent level. The republics also provide SGICEs with investment credits carrying ten-year repayment periods.

### *Federal*

The Federation government makes funds available in the form of general block grants to the less developed republics and to the autonomous region of Kosovo for general development purposes, including the support of schools. These funds currently amount to about 2 per cent of the Yugoslav GNP. The republics, in turn, allocate these funds for local economic development, and for education and training.

*Equalization*

The Yugoslav approach to equalization focuses mainly on the equalization of financial resources. Republic governments allocate funds to republic SGICEs, who in turn transfer resources to local SGICEs in inverse relation to their fiscal capacity to support education, in order to bring the level of provision in poor SGICEs up to a republic-defined standard. The Federal government also makes funds (via Funds for the Supplementary Financing of Social Services) available to less developed republics and regions for the support of schools. In addition, the republics provide additional resources in the form of categorical grants for two areas of national concern, namely, bilingual education and special education for handicapped children.

*Autonomy and parental choice*

In the last two decades, Yugoslavia has moved rapidly towards decentralization and democratization of educational decision-making.

Yugoslavia is presently combining a great deal of local autonomy in matters of school finance with a unique system of cooperative school system governance, in which teachers, parents and representatives of the local electorate share responsibilities. The principal aims seem to be to debureaucratize school governance, to specify and agree a "contract" of school service between school personnel and the community, and to generate ways of making school personnel accountable with respect to their performance on the agreed contract. This approach to local autonomy echoes the trends that have been developing in many of the countries under review, as teachers and parents, particularly, seek to add elements of participatory decision-making and co-determination of policies to the traditional structure of governmental provision and control of the schools.

## Chapter II

### FINANCING INSTRUMENTS FOR PRIMARY SCHOOLS AND MAJOR GOALS OF POLICY

Over the past decade, all of the ten countries represented in the study have demonstrated parallel interests in certain major areas of educational policy. The leading concern has been for resource and/or service equalization, together with provision for special needs. In addition, there has been continuing attention paid to the matter of the locus of control of the schools, and to questions relating to parental choice of schooling. As the previous section demonstrated, the countries have developed a variety of approaches, employing both financial and non-financial instruments in pursuit of these objectives. This section will attempt to synthesize some of the material presented previously, and will identify some of the strengths and weaknesses of the diverse country approaches to each of the policy areas.

#### I. EQUALIZATION

##### 1. FINANCIAL INSTRUMENTS

There are major differences in the financing arrangements employed by the different countries to approach equalization among localities. We may first make the broad distinction between those countries (jurisdictions) that seek to equalize resource levels for public services (in particular, for education), in the expectation that that will facilitate equalization of service levels, and those countries that seek more directly to equalize service levels. Resource equalization is the primary aim in Australia, Canada, Germany and Yugoslavia at the federal-provincial (state/republic) interface, and in Ontario, in the states of the United States, in the Yugoslav republics, and in England. While attention to equalization of *resources* among the localities is by no means absent in the other countries, the primary emphasis in Australia, Germany, the Netherlands, and Sweden is on equalization of the levels of *service* among the localities.

Some of the countries employ block grants almost exclusively, while others rely more heavily on categorical grants. In yet others, a combination of block and categorical grants is employed. Some countries opt for full or partial central assumption of costs. The distribution mechanisms are also quite varied. They include flat grants, foundation programmes, as well as a range of equalization formulas. Nonetheless, some general approaches to financing equalization can be discerned among these apparently unique arrangements. The broad patterns include *full central funding*, as well as a number of variations on the pattern of *mixed central-local funding*. These varied patterns will be examined in the sections which follow.

### *Full central funding*

Two of the OECD countries (Australia and the Netherlands<sup>5</sup>) use a system of virtually full central government funding as a means of equalizing educational services. In these countries the central governments—the states, in the case of Australia—establish service standards in different categories of expenditure; for example, teacher costs, plant maintenance and operation, and transportation, which serve as the basis for distributing central government funds. In Australia the standards are determined annually, whereas in the Netherlands they are based on municipal expenditures in a previous year with annual adjustments for cost increases. However, in both countries the full cost of these determinations is financed at the central government level.

An area of difference between the Australian and the Dutch finance systems concerns the provision of additional services beyond the centrally-established reimbursement level. In Australia, some private contributions are permitted for expenditures such as books and uniforms which are not fully provided for from public and non-public schools is thus guaranteed. However, across municipalities, treated in higher, rather than lower, income areas. However, the disparity in provision is partly offset by additional government grants to the latter. In the Netherlands, too, individual municipalities may employ additional teachers (especially vocational teachers) on condition that parallel provision is made for the non-public schools. Parity of provision within a municipality between the public and non-public schools is thus guaranteed. However, across municipalities, there may be some disparity in teacher resources above the statutory level which is not compensated for by additional central government grants.

### *Mixed central-local funding*

In most of the ten countries studied, a mixture of central and local government funds is used to achieve the objective of equalization. These mixed-funding arrangements fall broadly into three major classifications. Two of these use a *categorical grants* approach to the problem (although untied equalization grants for non-educational services frequently accompany the categorical grants) while the third relies almost exclusively on *block grants* which are distributed using a fiscal equalization mechanism.

#### *Categorical funding*

The first of the categorical approaches, used by Sweden and Germany, focuses primarily on the financing of teacher costs. In these systems, teacher requirements for each commune are determined centrally on the basis of standards of class size, pupil-teacher ratios, minimum teaching hours, etc., and are fully funded by the central government, and in the case of Germany by the Länder. In Sweden, the municipalities are reimbursed by the state for their approved standard teacher costs, and the funding takes the form of earmarked grants. In Germany, the Land assumes the direct responsibility for paying teachers' salaries and, as the Schulträger do not actually receive the funds, there is simply no opportunity for them to use the Land funds earmarked to pay teachers' salaries for any other purpose. The employment of additional teachers (above the reimbursement standard in Sweden, or at the localities' expense in Germany) is

5. Although about 10-15% of local government revenues in the Netherlands are derived from local sources, these are used to cover a wide range of expenditures, including schools, so that the school system is, for all intents and purposes, fully funded at the central level.

not permitted<sup>6</sup>. These restrictions provide a potent basis for equalizing teacher services in Sweden and in each of the Länder. Apart from the limits set by geography and demography, localities should be able to provide approximately equalized teaching staffs.

In contrast with teacher services, there is less direct financial equalization of other current operating expenditures in Sweden and Germany. Rather, these costs are financed more heavily from locally-raised revenues. Central governments do, however, attempt to equalize the ability of localities to provide these services indirectly through general equalization grants which can be used for education as well as for other governmental functions. These are generally distributed inversely in relation to fiscal capacity and directly in relation to need for public services. In Germany, all of the Länder contribute direct financial assistance to the Gemeinden, from which the costs of educational materials and other school operating expenses may be met, but the precise disbursement mechanism, e.g., flat grants, equalization grants, etc., varies markedly from Land to Land, and is difficult to describe generally.

The second of the categorical approaches to achieve equalization, used by Norway, is in many ways quite similar to the approach used by Sweden and Germany. The primary focus of the financial mechanism is again on teacher services rather than on total expenditures. However, in Norway these costs are not fully funded by the central government. Instead, they are financed through the use of an equalization formula which reimburses higher proportions of teacher costs in poorer communes than in wealthier communes. In addition, legal regulations ensure higher teacher-pupil ratios in small, poor and rural communes. While the average level of central reimbursement for teacher costs is about 65 per cent, the range is from 25 per cent in the richest commune to about 85 per cent in the poorest. Other expenditures, with the exception of transportation and accommodation, are usually locally financed in Norway. However, as in Sweden and Germany, the central government does provide indirect assistance through a tax equalization grant which can be used for a range of transportation and accommodation, are usually locally financed in Norway, to provide a higher level of service, measured in terms of costs per pupil, than the wealthier ones.

#### *Block grants*

The second mixed central-local approach to primary school finance equalization relies almost exclusively on block grants by central governments to local units. The basic allocation principle of these grants in different countries is fundamentally the same: central government funds are distributed to localities in inverse relation to local fiscal capacity. However, the grants differ in a number of major areas.

One area of difference is in the functions which may be served by the grant. In Canada (Ontario), Yugoslavia, and the United States, for example, the grants are education-specific. Although I.e.s in the United States and SGICEs in Yugoslavia can transfer resources among categories of educational expenditure and among levels of schooling (I.e.s in Ontario can do the former, but not the latter, since there are separate secondary school districts), they cannot use the grants for non-education purposes. In England, in contrast, the grants are general-purpose. Even though a portion of the grant is calculated on the basis of educational requirements, local governments may use these resources to finance other municipal functions.

6. Hesse is one Land that does permit this, but is exceptional.

The education-specific grants also reflect what might be called different philosophical approaches to equalization. For example, both California and Florida use what is called a foundation approach to equalization. Under a foundation formula, the state determines a level of expenditure which local districts must spend in order to provide at least a minimum quality educational programme. (Usually the level is at or near the state average, although the range among the states of the United States which use this approach is substantial.) The state then sets a property tax rate which school districts must levy in order to participate in the programme. If districts, though using this tax rate, can raise less than the foundation level, the state makes up the difference between the two figures. In other words, up to the foundation level, state resources are distributed in inverse relation to fiscal capacity, measured in property wealth per student.

The Yugoslav approach is quite similar, although the term "foundation programme." (Usually the level is at or near the state average, although the range SGICE and the republic Institute for the Promotion of Education, define three (high, middle, low) service standards, from which a local SGICE selects the one it wishes to provide. The yield from a given income tax rate is used as the criterion for assessing local capacity to finance education. Local education units, SGICEs, which cannot raise sufficient revenues locally to attain the educational service standard selected obtain the required resources from republic SGICE equalization payments.

The approach used by Ontario, though operationally similar to the foundation programme, has a slightly different basis. Under the "percentage equalizing" concept, local districts, rather than the province, have the authority to establish an expenditure reimbursement level, up to a maximum level determined by the province. However, provincial aid is distributed in inverse relation to property wealth. Thus, where two districts decide on the same level of expenditure, the district which is richer in property-valuation will receive a lower level of reimbursement from the province.

## 2. THE STRENGTHS AND WEAKNESSES OF DIFFERENT APPROACHES TO EQUALIZATION

The ten countries have approached the problem of equalization using both a combination of fiscal and non-fiscal devices, as well as a variety of financial instruments. At least in theory it would appear that any of these approaches could achieve the objective of equalization under the right set of circumstances. Using the standard of "equal treatment of equals", a system of full central funding would be perfectly equalizing, if all educational inputs, including teachers with higher levels of experience and education, could be distributed evenly across the country, state, etc. The same result would be produced under a mixed funding approach which relied on categorical grants, again, if teachers were evenly distributed, and if central reimbursement of other operating costs was sufficient to reduce or eliminate disparities based on varying fiscal capacity. (The latter could also be furthered through regulation setting fairly restrictive limits to provision at both the lower and upper ends of the scale.) Finally, the block grant equalization approach could also achieve a reasonable level of equalization if the equalization level were established and funded at a level high enough to provide a high quality educational programme to all children, regardless of their district's or municipality's local wealth.

In reality, however, it seems reasonable to conclude that none of the countries' finance arrangements has actually succeeded in achieving full equal-

ization. Even where a reasonably equalizing system has been developed, individual elements of the system have had unintended consequences which are disequalizing in their impact. Furthermore, continued equalization may require adjustments in the system, as demographic and economic changes alter the foundations of previously-established arrangements. Thus, equalization continues to be a sought-after, rather than a firmly achieved, educational policy objective in most of the ten countries studied.

#### *Full central funding*

The Dutch approach to primary school finance demonstrates some of the strengths and weaknesses of a system which is fully centrally funded. Its major strength lies in its virtual elimination of local fiscal capacity as a determinant of expenditures for education and the development of a progressive system of centralized revenue-raising. The system has also succeeded in establishing a degree of expenditure equality between public and non-public schools which is unusually high among the countries studied. However, a few of the limitations of the Dutch approach also merit attention. One of these centres around central government reimbursement of locally-incurred costs.

Reimbursements for educational expenditures in the Dutch system work to perpetuate existing disparities among municipalities, since they are not based on the previous year's expenditures but on expenditures in a base year (formerly 1962, presently 1968) with percentage adjustments for price and wage increases. Thus, municipalities which funded a particular service in a base year will be reimbursed for current expenditures on that service, while those that did not—either by choice or because of fiscal constraints—will not receive reimbursement for these same expenditures. However, frequent updating of the base year, or advance funding of services in places where they are not provided, up to centrally-established levels, would work to eliminate this deficiency in the funding mechanism.

Another issue raised by the Dutch approach to primary school finance concerns the provision of additional teachers by municipalities above centrally-determined reimbursement levels. On the basis of the experience of other countries, this could create disparities in teacher resources which are related to the fiscal capacity of the municipality, since these additional teachers are financed from the small portion of total revenues which are locally-raised. Again, however, inter-municipal disparities could be reduced by imposing a ceiling on the number of teachers which a municipality could add on.

#### *Mixed central-local funding*

##### *Categorical funding*

The strength of the mixed-funding approach which uses categorical funding to finance most educational services would seem to be in the area toward which it has primarily been directed, namely, teaching personnel. As the authors of the German, Swedish, and Norwegian case studies point out, given the limitations imposed by geography and other uncontrollable factors, the systems have substantially equalized the provision of teaching personnel among Gemeinden within Länder in Germany and among municipalities throughout Norway and Sweden. In Sweden this has been accomplished, at least in part, through the provision of extra salary allowances for teachers in remote areas.

The approach, however, seems to be weaker in its ability to equalize other non-teacher services, where these costs are not reimbursed by central government

funds. Consequently, municipalities which have the fiscal capacity frequently provide greater resources in these other areas, often with lower tax burdens. As the author of the Swedish study demonstrates, the more populous, more highly urbanized, and richer municipalities generally spend more per pupil on a host of non-compulsory educational services such as libraries, welfare, and audio-visual equipment than do smaller and poorer municipalities, frequently while taxing themselves at lower rates. Although poor municipalities are assisted by the tax equalization grant, this does not suffice to iron out the advantages of wealthier municipalities.

Regulation could and often does, of course, play a role in reducing disparities by mandating both maximum and minimum provisions of non-teacher services. Municipalities which presently do not provide particular educational offerings can be required to do so, while others which presently provide substantial additional offerings can have limits placed on the extra expenditures they are permitted to make. However, regulation alone would not seem to suffice if tax burdens as well as expenditures are to be equalized, since poor jurisdictions would only be able to provide the additional services with above-average tax effort or by diverting resources from other functional areas. Central government financial assistance would seem to be required in addition to regulation if tax and expenditure equality are to be achieved.

The above discussion raises an important policy question: to what extent are resource equalization and expenditure equalization compatible? Can a system which aims at one objective achieve the other as well? It would appear from some of the cases presented that systems which use regulation to equalize expenditures (or services) may achieve it only at the expense of tax equalization. By the same token, finance systems which aim at resource equalization by neutralizing the effect of local wealth on expenditures may not achieve expenditure equality if the level of tax effort is left to local discretion. On the other hand, resource and expenditure equalization need not be mutually exclusive. Central government mandate of a required level of service, backed up by a fiscal mechanism to finance it, could achieve both educational finance objectives.

### *Block grants*

The third approach to equalization which relies on block equalization grants also has a number of strengths and weaknesses. Both the Ontario "percentage equalizing" approach and the Florida "foundation" approach exhibit some of the prerequisites of the successful operation of this type of approach to equalization. Among their strengths are a relatively high level of central government funding of approved education costs (60 per cent in Ontario and 62 per cent in Florida) which limits reliance on local wealth, as well as a high cost reimbursement level. (In Ontario this level was originally set between the 80th and 90th percentiles in weighted per pupil expenditures.) The Florida system has also placed restrictions on local tax effort, both at the lower and upper ends. This has worked to reduce expenditure disparities, as well as tax disparities, since wealthy districts can no longer add to their expenditures more easily than poor districts.

In contrast with the Florida and the Ontario systems, the California system highlights some of the deficiencies of the block grant equalization formula approach to the task of equalization. Despite a substantial increase in the level of state involvement in and support of education in recent years, the proportion of state funding in California is still quite low in comparison with other countries in the study. Consequently, local property wealth continues to exert a major influence on the level of local expenditures on education. Furthermore, the state aid

system still contains a number of specific elements which have a strongly disequalizing effect. One of these is a flat grant for every pupil in the state, which reduces the level of equalization aid to property-poor districts and provides wealthy districts additional expenditures above the foundation level. Finally, somewhat ineffective limits on additional expenditures by wealthy districts above the foundation level may virtually preclude poor districts from ever closing the gap between their own levels of expenditure and the state-wide average.

The basic conclusion to be drawn from the experience of countries which employ this third approach to equalization is that, unless the range of fiscal capacity of localities is quite low, full equalization cannot be obtained without a high level of central funding, a formula which concentrates most of the resources on poor jurisdictions, and limitations on local effort. As with the second approach, regulation may be a useful instrument to guarantee at least a minimum level of educational services in certain localities, but without central government financial assistance the tax burden which results from the provision of these services from local resources exclusively will be substantially higher in poor localities.

### 3. CONTROL VIA REGULATION VERSUS RELIANCE ON CENTRAL FUNDING

The distinction between policy instruments based on regulation and those based on finance may be artificial since, as most of the authors of the country studies point out, there is frequently a strong connection between the two approaches to policy. It is as unusual to find regulations which do not have financial implications as it is to find financial instruments that are unaccompanied by any regulations. Nonetheless, for discussion purposes, regulation and finance may be considered as different emphases, for there are substantial differences among the countries in the combinations they have adopted of reliance upon regulation, as against reliance upon financing instruments (and, in particular, on central funding), in their approaches to equalization. Although all of the countries employ regulation to at least some degree for the purpose of establishing a standard quality of offering among their subunits, some countries rely much more heavily on the regulation approach than others. A fourfold typology of alternative approaches is presented in Table 1.

It is apparent from Table 1 that the approaches to equalization are quite varied. Australia proceeds via complete centralization of both administration and finance. Some countries, most notably Germany and Italy, employ both a high degree of central regulation *and* a moderate to high level of central

Table 1 Achieving equalization through regulation and financial instruments in ten OECD countries

| Level of central finance | Central regulation <sup>a</sup> |                                              |
|--------------------------|---------------------------------|----------------------------------------------|
|                          | High                            | Low to moderate                              |
| High (> 60%)             | Australia<br>Germany<br>Italy   | Netherlands<br>England<br>Ontario<br>Florida |
| Low to moderate (< 60%)  | Sweden<br>Norway                | Yugoslavia<br>California                     |

a) The term "central" refers to the national government in the unitary states, and to the provinces/states/republics in Canada (Ontario), Australia and the United States, and Yugoslavia, respectively.

funding. In other countries, most notably England, Florida, the Netherlands, and Ontario, the emphasis is more on the finance instruments than on regulation. Still other countries, Norway and Sweden, for example, rely more heavily on regulation than on central funding to achieve equalization. And finally, two of the systems (Yugoslavia and California) are marked by low-to-moderate use of regulation and finance, although in recent years California has seen a substantial increase in state involvement in both of these areas.

#### 4. GOVERNMENT STRUCTURE AND EQUALIZATION

It is commonly thought that unitary states can "manage" a given degree of equalization of access to public resources, expenditures or services more easily than federal countries, and that they do in fact achieve higher degrees of equalization. Perhaps these assertions arise from the supposition that, in unitary states, local authorities are wholly the creatures of the central government, while in the federal countries there exists an intermediate level of government between the local and national authorities—hence the possibility that local authorities in unitary states are more subject to direction and control in pursuit of national goals than they are in federally organized countries. Perhaps, also, there exists the notion that the unitary states are systematically less diverse, and hence start off with a greater degree of equality across regions than the federal countries.

For the purpose of testing these propositions, the ten countries in the present study provide us with five unitary states (England and Wales, Italy, the Netherlands, Norway, and Sweden) and five federal countries (Australia, Canada [Ontario], Germany, the United States of America [California and Florida], and Yugoslavia). We shall examine each group in turn.

##### *The unitary states*

As we have noted above, three of the unitary states (the Netherlands, Norway and Sweden) both attempt and achieve a great deal of equalization of levels of educational service within their respective jurisdictions, while England and Wales concentrates on general (not specifically educational) resource equalization. Italy has probably attempted and achieved the least with respect to equalization, though in its provision for central government appointment and compensation of teachers it certainly has a potential mechanism for the achievement of more service equalization than is reported in the country study.

In England, the key device used to promote equalization is the "rate-support grant", a general purpose block grant from the central government to the local authorities, that incorporates important "needs" and "resources" elements. There are virtually no education-specific or categorical grants. While inequalities of school expenditure from area to area in England remain, and it is perfectly possible for local educational authorities to starve their primary schools in order to spend more money on secondary education (or even on non-school purposes), school expenditure inequalities appear to have been held within fairly narrow limits.

In the Netherlands, Norway and Sweden, general-purpose block grants to local authorities provide for equalization of revenue bases, but the most important device is the system of central government reimbursement of all (or part) of allowable teachers' salary costs, and other expenses. Given the data available in the country studies it is not possible to make any comparisons among these three countries, or with England and Wales, with respect to their success in equalizing expenditure or service levels across localities.

### *The federal countries*

When we turn to the federal countries, there is as much equalization activity to be observed (and probably as much, if not more, success achieved) as in the unitary states. All of the federal authorities attempt equalization of resource bases (in partnership with their provincial/state authorities) by means of some kind of general-purpose block grant and/or tax sharing mechanism.

In Australia, Canada and Yugoslavia large block grants are routinely made to the provincial levels of government; in Germany, the Länder share (with the Gemeinden and the federal government) agreed proportions of the proceeds of specified taxes. In addition, the richer Länder transfer part of their "surplus" tax receipts to the poorer. In the United States, general purpose federal aid to the states and localities is not as important as categorical aid, but under a recently established (since 1971) revenue sharing programme, such general purpose aid aimed at equalizing access to financial resources is slowly increasing in significance.

In addition, in the field of primary education all the federally organized countries (except Germany) provide for the transfer of education-specific funds from the federal to state level. This type of aid is not very large in Canada, where the emphasis is on general-purpose federal subsidies, but it is the most important means of transferring funds in the United States, as mentioned, and also in Australia. In Yugoslavia, the poorer sub-federal jurisdictions benefit from education-specific equalization grants, too. Germany relies virtually entirely on general-purpose tax sharing devices at the federal-Land level.

Equalization of revenues at the provincial/state level provides only a potential for the equalization of primary school expenditures, or service levels, across the provinces/states. To what extent do the federal countries manage to transform resource equalization into expenditure equalization? The evidence presented below gives some sense of the extent of interstate (province, Land) equalization in the five federal countries.

Australia has installed a set of fiscal provisions that appears to result in a high degree of educational expenditure equalization among the states (see Table 2).

Table 2. Australia: approximate annual recurrent expenditure from state sources<sup>a</sup> per primary student in government schools, by state, 1974/75

| State               | Aus. \$ |
|---------------------|---------|
| New South Wales     | 510     |
| Victoria            | 520     |
| Queensland          | 520     |
| South Australia     | 520     |
| Western Australia   | 505     |
| Tasmania            | 540     |
| All states: average | 515     |

a) Includes administrative, superannuation and student transport costs, but excludes specific purpose grants for primary education from Commonwealth sources.

Source: Australia, Table 3 (Vol. I).

The higher levels of expenditure per student in Tasmania presumably reflect the higher costs of school operation in that state, but mainland Australia exhibits a remarkable uniformity of per student state average expenditure.

**Table 3 Canada: federal government aid as a percentage of total government expenditure on education, and indexes of personal income per weighted<sup>a</sup> school age child, 1970, selected provinces**

|                  | Federal aid $\times 100$<br>Total government<br>expenditure | Index of personal<br>income per child |
|------------------|-------------------------------------------------------------|---------------------------------------|
| Newfoundland     | 28.2                                                        | 54                                    |
| New Brunswick    | 26.8                                                        | 65                                    |
| Ontario          | 2.5                                                         | 123                                   |
| Manitoba         | 12.7                                                        | 95                                    |
| British Columbia | 3.3                                                         | 116                                   |
| Canada           | 9.0                                                         | 100                                   |

<sup>a</sup>) Persons aged 5-14 weighted 1.0; those 15-19 years of age, weighted 1.5.

Source: Canada (Ontario), from Table 3.1 (Vol. I).

Table 3 illustrates the strong tendency toward resource equalization built into federal aid to public education in *Canada*. The lower the wealth and income levels of a province, the higher the proportion of its government expenditure on education supported (directly and indirectly) by federal funds. However, as is clear from Table 4, sizeable inter-regional variations continue to exist across Canada, in terms of per pupil expenditures—reflecting to a large degree the different priorities given to public education by the different provinces.

**Table 4 Canada: expenditures per pupil in public education, 1972-73, by region**

|                    | Can. \$ |
|--------------------|---------|
| Atlantic Provinces | 759     |
| Quebec Province    | 973     |
| Ontario Province   | 1 037   |
| Western Provinces  | 893     |
| Canada             | 955     |

Source: *Reviews of National Policies for Education: Canada*. OECD, 1976, Table 7, p. 53.

Table 5 demonstrates how equalization of access to financial resources across the wide-area *Länder* in Germany has resulted in substantial reduction in inter-Land inequalities, at least as these are reflected in average financial resources of the *Gemeinden*. Before equalization the ratio of *Gemeinden* resources in the most affluent Land (Hesse) to the least affluent (Saarland) is 1.68 : 1; after equalization the ratio is reduced to 1.19 to 1. Although, as the data in Table 6 suggest, disparities from Land to Land in expenditures per pupil enrolled in elementary schools continue to be substantial—certainly higher than those observed among the states of Australia—it is important to note that the situation in Germany does not simply reflect pre- (or even post-) equalization Land income or financial resource levels. One of the poorer pre-equalization *Länder*, Schleswig-

Table 5 Germany: financial resources of the Gemeinden  
before and after equalization, by Land, 1973  
DM per inhabitant

|                        | Before<br>equalization | After<br>equalization |
|------------------------|------------------------|-----------------------|
| Hesse                  | 575                    | 873                   |
| Baden-Württemberg      | 538                    | 812                   |
| North Rhine-Westphalia | 524                    | 816                   |
| Bavaria                | 485                    | 785                   |
| Schleswig-Holstein     | 411                    | 817                   |
| Rhineland Palatinate   | 458                    | 786                   |
| Saarland               | 344                    | 736                   |
| Lower Saxony           | 419                    | 797                   |

Source: Germany, from Table 14 (Vol. I).

Holstein, spends more per elementary pupil than do two Länder, Baden-Württemberg and North Rhine/Westphalia, in both of which the Gemeinden are better off, pre- and post-equalization.

It is reasonable to suppose that, because the extent of financial equalization across Länder achieved is very high, and because there is full Land assumption of teacher costs, a great potential exists for equalization of school expenditures and service levels in the primary grades. However, that potential appears to have been not fully utilized. The German authors also implied that disparities in other indexes of school provision were also significant.

Table 6 Germany: net expenditures per pupil in elementary  
(Grund-, Haupt- and special schools), 1973;  
and number of regular teachers per class in elementary schools,  
1972, by Land

| Large-area states          | Expenditures<br>DM | Regular<br>teachers<br>per class |
|----------------------------|--------------------|----------------------------------|
| Hesse                      | 2 046              | 0.93                             |
| Baden-Württemberg          | 1 740              | 0.99                             |
| North Rhine-Westphalia     | 1 892              | 0.96                             |
| Bavaria                    | 1 970              | 1.14                             |
| Schleswig-Holstein         | 2 215              | 0.85                             |
| Rhineland Palatinate       | 2 029              | 1.17                             |
| Saarland                   | 1 846              | 1.06                             |
| Lower Saxony               | 2 075              | 1.01                             |
| Large-area states: average | 1 942              | —                                |
| City-states                |                    |                                  |
| Hamburg                    | 2 913              | 1.16                             |
| Bremen                     | 2 408              | 1.18                             |
| Berlin                     | 2 361              | 1.27                             |
| City-states: average       | 2 577              | —                                |
| Country average            | 1 978              | 1.03                             |

Source: Germany, Tables 12 and 20 (Vol. I).

The United States continues to tolerate extensive inequalities of expenditure levels for education across the 50 states (see Table 7). Current operating expenditures per pupil range from \$834 (Mississippi) to \$2 005 (New York); for total expenditures the range is from \$921 to \$2 241, or a ratio of 2.3 : 1, in these two states. With few exceptions, average state school expenditures per pupil systematically reflect average state wealth and/or income levels.

Yugoslavia, too, has been able to do relatively little with respect to equalization, while the country has given its prime attention to the task of expansion of school provision. However, the economically less-developed republics do

Table 7 Estimated expenditure per pupil in average daily attendance in public elementary and secondary day schools, by state: 1974-75

| State or other area  | Expenditures per pupil |                      |                |                         | State or other area      | Expenditures per pupil |                      |                |                         |
|----------------------|------------------------|----------------------|----------------|-------------------------|--------------------------|------------------------|----------------------|----------------|-------------------------|
|                      | Total <sup>a</sup>     | Current <sup>b</sup> | Capital outlay | Interest on school debt |                          | Total <sup>a</sup>     | Current <sup>b</sup> | Capital outlay | Interest on school debt |
| 1                    | 2                      | 3                    | 4              | 5                       | 1                        | 2                      | 3                    | 4              | 5                       |
| United States        | \$1 431                | \$1 255              | \$133          | \$43                    | Nevada                   | 1 308                  | 1 101                | 135            | 72                      |
| Alabama              | 933                    | 871                  | 56             | 6                       | New Hampshire            | 1 173                  | 1 095                | 42             | 36                      |
| Alaska               | 2 228                  | 1 624                | 491            | 113                     | New Jersey <sup>c</sup>  | 1 713                  | 1 565                | 94             | 54                      |
| Arizona              | 1 546                  | 1 176                | 328            | 42                      | New Mexico               | 1 282                  | 1 052                | 216            | 14                      |
| Arkansas             | 1 087                  | 896                  | 164            | 27                      | New York                 | 2 241                  | 2 005                | 165            | 71                      |
| California           | 1 373                  | 1 210                | 116            | 47                      | North Carolina           | 1 151                  | 1 052                | 86             | 13                      |
| Colorado             | 1 423                  | 1 188                | 188            | 47                      | North Dakota             | 1 199                  | 1 032                | 140            | 27                      |
| Connecticut          | 1 596                  | 1 507                | 46             | 43                      | Ohio                     | 1 270                  | 1 144                | 93             | 33                      |
| Delaware             | 1 723                  | 1 485                | 169            | 69                      | Oklahoma                 | 1 131                  | 1 009                | 108            | 14                      |
| District of Columbia | 1 957                  | 1 814                | 143            | ..                      | Oregon                   | 1 642                  | 1 425                | 188            | 29                      |
| Florida              | 1 392                  | 1 147                | 222            | 23                      | Pennsylvania             | 1 587                  | 1 446                | 53             | 88                      |
| Georgia              | 1 087                  | 1 000                | 53             | 34                      | Rhode Island             | 1 665                  | 1 493                | 98             | 74                      |
| Hawaii               | 1 600                  | 1 384                | 210            | 6                       | South Carolina           | 1 125                  | 984                  | 113            | 28                      |
| Idaho                | 1 232                  | 910                  | 299            | 23                      | South Dakota             | 1 062                  | 973                  | 77             | 12                      |
| Illinois             | 1 637                  | 1 376                | 218            | 43                      | Tennessee                | 997                    | 903                  | 59             | 35                      |
| Indiana              | 1 298                  | 1 074                | 181            | 43                      | Texas                    | 1 073                  | 894                  | 128            | 51                      |
| Iowa                 | 1 400                  | 1 240                | 132            | 28                      | Utah                     | 1 265                  | 942                  | 301            | 22                      |
| Kansas               | 1 607                  | 1 444                | 137            | 26                      | Vermont                  | 1 267                  | 1 095                | 127            | 45                      |
| Kentucky             | 960                    | 864                  | 60             | 36                      | Virginia                 | 1 231                  | 1 054                | 139            | 38                      |
| Louisiana            | 1 637                  | 1 376                | 218            | 43                      | Washington               | 1 339                  | 1 199                | 109            | 31                      |
| Maine                | 1 130                  | 1 007                | 92             | 31                      | West Virginia            | 1 020                  | 910                  | 94             | 16                      |
| Maryland             | 1 771                  | 1 369                | 354            | 47                      | Wisconsin                | 1 452                  | 1 323                | 91             | 38                      |
| Massachusetts        | 1 504                  | 1 356                | 87             | 62                      | Wyoming                  | 1 404                  | 1 322                | 61             | 21                      |
| Michigan             | 1 770                  | 1 547                | 164            | 56                      | Outlying areas:          |                        |                      |                |                         |
| Minnesota            | 1 635                  | 1 423                | 159            | 53                      | American Samoa           | 891                    | 880                  | 11             | ..                      |
| Mississippi          | 921                    | 834                  | 77             | 10                      | Canal Zone               | 1 603                  | 1 560                | 43             | ..                      |
| Missouri             | 1 203                  | 1 078                | 97             | 28                      | Guam                     | 1 114                  | 1 114                | ..             | ..                      |
| Montana              | 1 392                  | 1 269                | 101            | 23                      | Puerto Rico <sup>d</sup> | 483                    | 453                  | 30             | ..                      |
| Nebraska             | 1 378                  | 1 211                | 137            | 30                      | Virgin Islands           | 2 149                  | 1 572                | 677            | ..                      |

a) Includes current expenditures for day schools, capital outlay, and interest on school debt.

b) Includes expenditures for day schools only; excludes adult education, summer schools, community colleges, and community services.

c) Estimated by the National Center for Education Statistics.

d) Estimates for 1972-73.

Sources: U.S. Department of Health, Education, and Welfare, National Center for Education Statistics, *Statistics of Public Elementary and Secondary Day Schools*, Fall 1974; and unpublished data.

receive development grants from the central government, and these include funds for schools.

Turning now from the federal-state (province, Land) to the state-local interface, there is also substantial variation in the extent of equalization. Within the Australian states there does appear to have been achieved a high degree of service equalization, given the limitations set by geography and diverse population densities. This has been accomplished largely through a system of centralized state provision, administration and funding of schooling. Expenditure equalization across localities within the Australian states is probably not as great, as a result of personnel assignment policies. Junior, less qualified (and, hence, less expensive) staff tend to be assigned to remoter, or otherwise less attractive, areas. But no data on these potential expenditure disparities are available.

Since 1969 within the province of Ontario a vigorous and far-reaching policy of equalization of school tax resources has been undertaken, in conjunction with the reorganization and consolidation of some 3 000+ elementary school administrative units, reducing their number to the present figure of 190. The country study demonstrates in detail the ways in which equalization funds are channelled to local school boards. The present system of provincial aid on ordinary expenditures takes the form of a percentage equalizing grant which, it is claimed, "puts all [school] boards on an equal footing with respect to providing equal dollars, up to a maximum (ceiling) dollar amount, per unit of need". While no detailed empirical evidence is provided concerning the elimination of expenditure disparities among school districts, it appears that Ontario has moved a long way toward realizing that goal.

Within the Länder in Germany, as within the Australian states, there appears to be a fair degree of service equalization achieved, since the Land authorities pay for all of the teacher costs that result from centrally-determined standards of teacher provision. However, as noted above, the authors of the German country-study conclude that within-Land disparities of provision continue to exist, apparently tied primarily to the remaining disparities in the financial capacity of the individual Gemeinden.

Within the United States as a whole there are considerable differences among the states in the extent to which they have reduced intra-state expenditure and service disparities. In most states—and California is a good example—there is still considerable inequality in educational provision among school districts. Nevertheless there are states that have moved strongly to attenuate, if not completely to eliminate, intra-state inequalities of school expenditures, and Florida, as we have seen, is one of them. Using an approach that is like Ontario's, in terms of assessing district "needs" on the basis of tax yields and pupil weights, Florida has in the matter of two or three years come a long way toward equalizing school district revenues and expenditures for schools. Thus, even in the United States, where inequalities of school provision are so extensive, a few of the states, among them Florida, have been able to move strongly toward equalization.

In Yugoslavia, the republics channel funds to the local SGICEs for primary school purposes (about 30-70 per cent of the communes receive such aid, depending upon the republic, and on average they receive about 35 per cent of their resources for education in this way). Nevertheless, the more developed localities are specifically encouraged to devote more of their tax resources to school expenditures by voting for higher standards of provision and by taxing themselves accordingly. Although the republic subsidies go to the poorer localities, so that their effect is to close the gap between the richer and poorer localities somewhat, they do not appear to suffice to eliminate the very important disparities that continue to exist.

## Conclusion

We observe, then, that the federal countries are ranged from one end of the equalizing spectrum to the other. The simple fact of federal governmental structure does not appear to be controlling with respect to the intensity, or even the success, of equalization efforts. The conventional wisdom is not supported, inasmuch as some of the federal countries clearly equalize at a higher level than some of the more centralized ones.

## 5. PROVISION FOR SPECIAL EDUCATIONAL NEEDS

Equalization of tax burdens, tax yields, or expenditures (per capita or per pupil) is basically a matter of somehow directing additional funds to needy districts. But in most countries the concept of equality has been extended to embrace the notion of "unequal treatment of unequals". The new standard recognizes that children who come to school with physical and emotional handicaps or economic disadvantage, or who require special educational training, need additional resources beyond those provided to average children. Most countries have attempted to provide these resources, using two basic financial approaches.

The most common approach to providing additional resources for children with special educational needs is through the use of categorical programmes. These have been employed in a number of the countries, most notably in the federal systems by the federal governments. In Australia the focus has been on non-English-speaking migrant children, the socio-economically disadvantaged, and the handicapped. In the United States, Title I of the Elementary and Secondary Education Act, which provides additional resources for low-income children, is the major categorical aid programme, but federal assistance is also provided for specific functions such as libraries, guidance, vocational education as well. And in Canada, federal categorical aid has in recent years been used to help localities develop and provide French language instruction programmes.

At the state (province, republic) level, categorical grants have also been used to provide for special educational need. In California, for example, there is a wide range of programmes, including special education, compensatory education, early childhood and bilingual education. In Ontario and in the Yugoslav republics the emphasis has been primarily on additional assistance for language minorities, although the Yugoslav republics also provide extra support for special education.

Under this approach, recommended or required levels of service and the availability of categorical grants are often found in tandem, jointly reinforcing each other. Rules and regulations about levels of service to particular groups go hand-in-hand with financial incentives, reimbursement arrangements, and the like.

A second approach used to finance special educational needs employs a "pupil weighting" system. Rather than providing assistance to localities through separate aid programmes, this approach uses the basic equalization formula for distributing additional monies. Pupils with special educational problems are counted extra for purposes of central government allocations. Thus, school districts with concentrations of high-need pupils receive additional revenues from central government sources. This approach is used in Florida, and a variant of it is used in Ontario<sup>7</sup>, to fund services to a range of high-need student populations.

7. In Ontario the weighting is based not on a count and weighting of "special" students, but on the number of "special" personnel employed to meet the needs of "special" students.

A new development in many of the countries has been the recognition that more money alone is unlikely to overcome the problems of special educational groups and that new approaches to the provision of education are required. In both Australia and the United States there has been special funding for projects which encourage alternative methods of delivering educational services and which foster parent and community involvement. In England, the need for a more broad-based attack on the problems of poverty and educational disadvantage resulted in an Urban Programme which provided localities with additional resources for housing, welfare, and health, as well as education.

Another noteworthy change in the area of special needs has been the development of new accounting mechanisms which attempt to ensure that resources which are appropriated for target populations will actually be spent on them. Florida has been in the vanguard in this area with its new budgeting procedures enacted in 1973. In short, in addition to more money, many countries and states are now experimenting with new ways of providing education for children who need special services and of ensuring that the money flows in desired ways.

## II. LOCUS OF CONTROL

Aphorisms such as "More money means more control", "All money comes with strings attached", "He who pays the piper calls the tune", express a viewpoint that has by now achieved the status of a virtually self-evident proposition.

### THE PROPORTION OF NON-LOCAL FUNDS

In school finance the proposition that control follows the supply of funds has been viewed as having special significance for the relations between central and local authorities, and has generally been taken to assert that the larger the fraction of school funds contributed by non-local sources, the less freedom of action (autonomy) will remain in local hands.

Does the evidence of the country studies bear out the conventional wisdom? Is there a fairly simple, seasonably strong relationship between the proportion of non-local funding of the schools and the powers of non-local governmental authorities?

Each of the ten countries (eleven jurisdictions) can be classified within one of six categories, as in Table 8, to show the relationship, if any, that may exist

Table 8 Degree of non-local funding and the extent of local autonomy in ten OECD countries

| Non-Local Finance | Local autonomy |    |             |    |                                                    |    |
|-------------------|----------------|----|-------------|----|----------------------------------------------------|----|
|                   | Low            |    | Moderate    |    | High                                               |    |
| High (> 80%)      | Italy          | 1. | Netherlands | 2. |                                                    | 3. |
| Moderate (> 60%)  | Germany        | 4. |             | 5. | England<br>Ontario<br>Florida                      | 6. |
| Low (< 60%)       | Sweden         | 7. | Norway      | 8. | California<br>Yugoslavia<br>Australia <sup>a</sup> | 9. |

a) Federal-state relationships.

between the degree of non-local funding and the extent of local freedom of action and power of decision-making (local autonomy).

For the purpose of forming categories in Table 8, a high level of non-local financing was taken as 80 per cent, or more; a moderate level, between 60 per cent and 79 per cent; and a low level, less than 60 per cent. Local autonomy was judged according to the degree of control that the typical local education authority had over the major conditions of employment of teachers (numbers to be employed, their level of qualifications, and their level of compensation), because of the importance of teachers' salaries in total budgets for primary schooling. In addition, a general assessment was made of the extent to which local authorities could determine their schools' curricula and mode of operation. Australia is entered on the table, though on the basis of federal-state relationships, for the Australian system of state provision of schools and full state funding makes no room for the concept of "local autonomy".

The conventional wisdom would be supported if the countries ranged themselves broadly along the major diagonal (cells 1, 5 and 9) of the table, but they clearly do not. The distribution of countries does, indeed, appear to support the contention that high levels of local autonomy are not associated with high levels of non-local finance, but the moderate-moderate cell is also empty, and all the other cells have at least one entry.

Thus, the answer to the question: "Is there a fairly simple, reasonably strong relationship between the proportion of non-local funding and the powers of local school authorities?" is not proven, at least on the basis of a cross-national analysis. Of course, within a country over time such a relationship may still be demonstrable, but the cross-national analysis can say nothing about that.

#### THE MODE OF PROVISION OF NON-LOCAL FUNDS

But, if the mere *proportion* of non-local funding is not a significant factor, is the *mode* by which non-local funds are made available of importance for local autonomy?

Let us distinguish between three main types of inter-governmental transfers, or funding mechanisms: *block* (general purpose); *service-specific, non-categorical* (for education, or housing, or roads, etc.); and *categorical* (for teachers' salaries,

Table 9 Type of funding used to aid education, and local autonomy, in ten OECD countries

| Typical grant type                                                | Local autonomy                                            |                                                     |
|-------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------|
|                                                                   | High                                                      | Moderate to low                                     |
| Non-categorical<br>Block<br>Service-specific<br>(Non-categorical) | England<br>Yugoslavia<br>Florida<br>California<br>Ontario |                                                     |
| Categorical                                                       | Australia <sup>a</sup>                                    | Germany<br>Italy<br>Netherlands<br>Norway<br>Sweden |

a) Federal-state relationships.

school building construction, or educational programmes for the disadvantaged, and so forth). It might be reasonable to suppose that the greater the reliance on block grants and on service-specific, non-categorical funding, the greater the area of overt, detailed discretion enjoyed by local authorities; and the greater the reliance on categorical grants, the less local autonomy there is likely to be. Again, a fourfold classification is helpful, see Table 9.

England is the only country that provides non-local funding primarily through general-purpose, block grants available for use at a local authority's discretion for school provision, libraries, road repair, or for any other legitimate use. But four other jurisdictions, California, Florida, Ontario and Yugoslavia, use education-specific grants that are typically non-categorical, so that although the grant funds are available only for school-related purposes, their detailed use within education is not closely circumscribed. All five of these countries or jurisdictions afford relatively high degrees of autonomy to the local level.

Five of the remaining countries, that is, Germany, Italy, the Netherlands, Norway, and Sweden use categorical funding, often either based on teacher costs or providing direct reimbursement for allowable teacher costs. And these five countries also exhibit moderate to low levels of local autonomy. Australia is again entered in the table with respect to its federal-state relationships and, as such, is anomalous: education grants to the states are made on a (programme) categorical basis (important block general-purpose equalization grants are also made to the states), though the states' autonomy in education affairs is evidently very high. (A similar relationship exists between the federal government in the United States and the states.)

Thus, excluding Australia, we see a very strong pattern of relationship between the *mode* of intergovernmental grant for education and the level of local autonomy: non-categorical modes of funding imply higher levels of local autonomy than do categorical modes.

A moment's reflection will indicate why this is so. Block grants and service-specific non-categorical grants tend to have their "controls" built into them. At least, their size is, or can easily be, limited. On the other hand, categorical grants, especially when they take the form of reimbursement of teacher costs (or are based on teacher costs), can quickly turn into blank cheques, with a local authority treating teachers' services (or whatever else it is that attracts the grant funds) as a free, or near-free good. Demand for the subsidised factor(s) tends to grow and the central treasury comes under increasing strain. The almost inevitable result is the imposition of standards, controls and limits on the employment of teachers, their levels of compensation, and the like.

Where categorical grants are used to help local authorities provide services to specific groups of students, the granting authority is induced to reach out with regulations defining ever more carefully the characteristics of the students. For example, categorical grant programmes for the handicapped force the ever-closer specification of just who is a handicapped child and, even, of the maximum percentage of the child-population that may be designated as handicapped, for purposes of earning grant funds. In addition, there is always some incentive for the granting authority to seek to audit the use of categorical funds directed toward particular groups of pupils, to try to ensure that the *actual* recipients of the benefits made possible by the granting of funds are the *intended* recipients.

If the experience of Sweden, the Netherlands, Norway and Germany seems to demonstrate that funding based on either the reimbursement or assumption of teacher costs will be accompanied by substantial control over local authorities' powers to determine the number of teachers and/or their levels of compensation, developments in England provide a unique example of a nationwide (not locally determined) salary scale for teachers combined with a block grant system. The

explanation lies in the change made in 1959 in the mode of channelling grants to local authorities. Before that date the central government supported the expenditures of the local authorities by means of a capitation grant and varying percentages of different types of approved expenditure, including teachers' salaries. Under such a system there had developed, as we would expect, a centralized mechanism for fixing teachers' salaries. When the grant mode was changed in 1959 to a system of block grants, the mechanism for determining teachers' salaries (the so-called Burnham Committee) was retained and hence arose the "anomaly" of a non-locally determined teachers' pay scale existing alongside a system of block grants.

#### A CAVEAT ON THE CONCEPT "LOCAL AUTONOMY"

Before concluding, an important caveat should be entered to all that has gone before in this section. We should emphasize again that the basis for our classification of jurisdictions with respect to the amount of autonomy enjoyed by their respective local education authorities is, of necessity, severely limited. We have concentrated on autonomy with respect to the number of teachers to be employed, their qualification levels, and their compensation. Other aspects of school administration are very important in assessing degrees of local autonomy, and they have been incorporated in the classification in only a small and inevitably impressionistic way. In addition, the question of autonomy and locus of control goes far beyond the fairly narrow range of the relationships between central and local authorities. Teachers and their professional organizations often think of autonomy as being something quite different from simply the powers of the local education authority. Indeed, they have often viewed that power as antipathetic to their own aspirations. Similarly, parents and their organizations have a particular view of autonomy and questions of the locus of control that is not caught in the analysis given above.

#### SOME RECENT DEVELOPMENTS

In general, increased centralisation and bureaucratisation of educational systems, coupled with parent and student disaffection with schools' performance records, have in recent years led to demands for more local participation in educational decision-making. The demands have come from a number of sources. They have been expressed by school site administrators and teachers who have viewed district and state decision-makers as unresponsive to school needs. They have also been voiced by parents and community groups who share similar views about educational professionals in general.

In response to those demands a number of countries have begun to take some cautious first steps towards decentralizing educational decision-making and providing for greater local discretion in the use of financial resources. In some jurisdictions the decentralization has been largely administrative, i.e., from central governments to municipalities or l.e.a.s. In Ontario, a 1969 reform transferred a high degree of central control over curriculum, textbooks, teaching methods and the like to l.e.a.s. In Italy, decentralization of decision-making to the newly-created regions is presently underway. And in Sweden, under the SIA Commission reform, municipalities will have much greater discretion over the use of resources in grade levels and schools, and individual schools will be given new responsibilities.

Other countries have also made some modest efforts to place discretionary fiscal authority in the hands of either school personnel or parents and students. In Australia, South Australia and Victoria have begun to experiment with small

per pupil grants to school councils for textbooks and materials, although in relation to total expenditures the grants are very small. In Norway, general collaboration committees at the school level, composed of parents, pupils, and teachers have been authorized to make determinations about resource distributions within the school. And in Italy, recently-established school councils will soon be entrusted with large amounts of money which they will be able to use in a variety of areas. Finally, in this connection, the Florida school-site lump sum budget should be mentioned. Under this arrangement school principals can now allocate resources among different programme areas so that they can best adapt their educational offering to local conditions.

It should be emphasized that most of the developments described above are fairly new, generally modest, and in most cases probably more symbolic than real in terms of their transfer of financial power to more decentralized governmental units and community representatives. Nonetheless, they do represent something of a departure from existing institutional arrangements.

A final observation that should be made concerns the direction of any causal connection there may be between the volume of intergovernmental grant-making and the degree of local autonomy observed. If any relationship exists at all, it probably runs in the opposite direction from that implied by the conventional wisdom. Far from the higher levels of government stepping in deliberately to buy control of the lower levels, what has apparently happened (according to scattered observations in the country studies) is that, at all levels of government, ever higher levels of service have been demanded, the costs of which have outrun the localities' financial powers. The consequence has been steadily increasing levels of non-local funding, sometimes bringing more non-local control, but sometimes not—depending on the particular grant instruments used.

### III. DIVERSITY OF PROVISION AND PARENTAL CHOICE OF SCHOOL

It is abundantly clear that there are major elements of systematic diversity among the primary school systems of the ten countries examined, and that in each case we do not do violence to reality when we speak about, say, the "English primary school system", as distinct and different from, say, the German system, or the Australian, and so on. But it is also important to note that within each of these national systems there are, in turn, very important elements of diversity, most often based on geographical-jurisdictional location, but not exclusively so.

Intra-national diversity can take the form of lower versus higher levels of provision, based on differences of local wealth, and we have discussed such differences and their relationship to financial instruments above. But they also appear in the form of substantial differences in the language and/or culture of instruction, in the social class and/or racial differentiation of school populations (often based on residential segregation), and in different school provisions for children coming from different religious traditions.

Within public primary school systems, economically-, religiously-, racially- and class-segregated schools may imply important elements of choice for members of the dominant group, and restriction of choice for members of the subordinate group. Thus, although much of this diversity of provision may not really imply any widening of parental choice over the type of schooling to be afforded children, some of it may do. Particularly where diversity of school provision reflects linguistic and/or religious factors it can often provide parents with some valued choice of the type of schooling their children will receive. Indeed, the remarks below refer primarily to diversity based on religious preference.

The Dutch system of financing primary education is one of the most far-reaching in its approach to effective choice. In the Netherlands, parents not only have the right to provide their children with "the education that is in line with their way of life, their philosophy, or the educational methods they prefer", but they also have the right to receive public support when exercising that right. To establish a school and receive public money, they need only make a request to the municipality and meet certain requirements. The school thus established is guaranteed the full right of financial equality, which means that it is funded according to the same criteria that are used for the funding of public institutions.

Other countries have also adopted measures to promote parental choice through rather extensive public funding of non-government, usually church-related, schools. In Australia, non-government schools obtain a substantial proportion of their revenues from public funds, on average about 40 per cent from Commonwealth grants and 25 per cent from state resources. However, most non-government schools do not enjoy the same level of resources as government schools. In Australia, non-government schools obtain a substantial proportion of their revenues from public funds, on average about 40 per cent from Commonwealth grants and 25 per cent from state resources. In England, public money goes to support church-related schools, and although the state has exacted a certain *quid pro quo* for its aid (in the form of a significant degree of lay control over church-school programmes, staff and finances) it remains true that parents who wish to send their children to a church-related, rather than to a local authority, school may do so at public expense.

In Ontario, public money is not given to private schools, but there are two main publicly-supported elementary school systems: the non-denominational public elementary schools, and the predominantly Roman Catholic separate school system. Separate school boards are elected and have the same powers as public school boards do. They are empowered to set tax rates on the property of separate school supporters, and municipal councils *must*, on separate school board request, levy and collect those taxes. The separate school boards receive provincial grants according to the same criteria as do public school boards and, because they have lower revenue raising capacity, receive higher levels of provincial support than do public school boards.

#### THE PROPORTION OF NON-LOCAL FUNDS AND UNIFORMITY

It is often assumed that a high percentage of non-local funding will tend to reduce the variety of public education "styles" that exists, leading to increased uniformity. The argument is that local option of the kinds of schools to be offered and how they are to run will tend to disappear as the proportion of non-local funds rises. Thus, the conventional wisdom would argue that more non-local funding means reduced possibilities of parental choice among different types of schooling.

The evidence provided by the country studies enables us to test whether there is, in fact, a systematic association between the proportion of non-local funding for the schools and "standardization" of provision.

Standardization of school provision can arise in the following ways:

- A. Elimination of non-government schools.
- B. Attenuation of differences between government and non-government schools.
- C. Standardization of government schools across local education authorities.

We take up each of these aspects of standardization in turn.

A. Table 10 classifies the eleven jurisdictions according to their degree of non-local funding and the extent of non-government schooling. It is evident that, among the countries, little if any relationship can be established between

Table 10 Degree of non-local funding and the extent of non-government schooling in ten OECD countries

| Non-local finance | Non-government sector                                     |                    |               |
|-------------------|-----------------------------------------------------------|--------------------|---------------|
|                   | Small (< 10%)                                             | Moderate (c. 20%)  | Large (> 65%) |
| High (> 80%)      | Italy                                                     | Australia          | Netherlands   |
| Moderate (> 60%)  | Florida<br>Germany                                        | England<br>Ontario |               |
| Low (< 60%)       | California<br>Norway<br>Sweden<br>Yugoslavia <sup>a</sup> |                    |               |

a) No non-government sector.

the degree of non-local finance and the extent of non-government schooling. The three countries with high degrees of non-local finance (Australia, Italy and the Netherlands) have non-government primary school enrolments ranging from less than 5 per cent to about 70 per cent. Of the four jurisdictions with moderate degrees of non-local finance, Florida and Germany have very small non-government enrolments, while England and Ontario have quite important church-related school enrolments. The remainder of the countries all have small or non-existent non-government sectors, with a low level of non-local funding. The conventional wisdom is not supported.

B. The country studies do not provide the data for testing whether, where non-government schools exist, the differences between them and government schools become more attenuated as the degree of non-local funding increases. But in any case it is difficult to conceive of theoretical reasons why this should happen.

C. In all of the countries studied there appears to be a very high degree of uniformity of government schools from one local authority to another. A great deal of this standardization has its origins, no doubt, in the regulations governing the employment of teachers. Procedures for training, credentialling, and hiring teachers are generally centrally prescribed, with strong effects on the way schools in different parts of a jurisdiction operate. In addition, some countries foster even more uniformity by requiring a standard curriculum, common textbooks, and the like (for example, in Sweden and in the German Länder). But even those countries that leave greater formal autonomy in curriculum matters to the local authorities (for example, Canada, England and Wales, and the United States), have developed a high degree of standardization in practice. Thus, within each country there is relatively little variation in government school styles to be "explained" in the first place.

But, whatever systematic differences in the degree of standardization one might detect from country to country do not appear to be associated with the percentages of non-local funding. Thus, comparing, say, Australia and England and Wales, quite different levels of non-local funding (and even quite different approaches to the administrative structure of education) are not at all reflected in systematically different degrees of government primary school standardization.

In both systems, although head teachers and classroom teachers continue to exercise very important initiatives, their actions are fairly narrowly constrained by a common set of strong professional standards and community expectations.

Here, too, then we find that the conventional wisdom is not supported.

### Chapter III

## SUMMARY AND CONCLUSIONS

### SUMMARY

The preceding report is based on a series of studies of the arrangements used to finance primary schools in ten of the OECD member countries: Australia, Canada (province of Ontario), the Federal Republic of Germany, Italy, the Netherlands, Norway, Sweden, the United Kingdom (England and Wales), the United States of America (California and Florida), and Yugoslavia.

*Chapter I* describes in summary fashion the variety of approaches used within each of the ten countries to finance primary schools, and connects those approaches to certain key concerns of educational finance policy. *Chapter II* examines some of the relationships between types of financing instruments and key policy concerns across the ten countries.

In five of the countries (Italy, the Netherlands, Norway, Sweden, and England and Wales) primary school finance is a concern of two levels of government: the central and local (often municipal) authorities. In Australia, local (municipal) authorities for education do not exist, so that there also school finance is the responsibility of two levels of government—the state governments (with the lion's share of the responsibility) and the Commonwealth government, that provides both direct and indirect assistance. In the United States and in Yugoslavia three levels of government (federal, state/republic, and local) are all directly involved in primary school finance. In Canada (Ontario) and the Federal Republic of Germany, the two remaining countries, the prime direct agents of primary school finance are the provinces/Länder and the localities, but the federal level plays an indirect role via its various programmes of fiscal equalization among the provinces/Länder.

Full central funding at the state level is the hallmark of school finance in Australia. Yugoslavia represents the other pole, with a very high degree (70-80 per cent) of reliance on local sources of funds. The other countries are ranged between these extremes. In general, the Netherlands, Italy and Sweden present a picture of relatively high proportions of central funding for schools; the United States, rather low central funding. In Ontario, provincial (central) funding has become more and more important in the last decade, and in the German Länder, too, the Land authorities provide a very substantial (60 per cent or more) share of the total costs of running the primary schools. In England and Norway the sources of finance are, on average, about equally divided between the central and local governments.

School finance is an ordinary and regular part of general governmental finance in all of the countries, except Canada and the United States. In these

latter countries local school jurisdictions are usually separate, politically and legally, from general local administration. Separate school taxes are the rule and the local school districts do not usually receive financial support from the local government units.

In most of the countries (Canada, Germany, Italy, the Netherlands, Norway, Sweden, the United States, and Yugoslavia) non-local funds are made available to help support the operations of local school authorities primarily through various education-specific channels. In England, the central government makes a general grant-in-aid to a local authority, which has substantial latitude in deciding how generously it wishes to support its schools, in competition with the claims made by other locally provided services on its revenues. Similar relationships exist between the federal and state/Land/provincial authorities in Australia, Canada and Germany.

Some countries move beyond education-specific taxation and intergovernmental transfers to systems of categorical aid. Thus, in Sweden, the central governments assist municipalities in their school finance on the basis of a set of tightly drawn provisions related to distinct aspects of school operation and, especially, to the costs of teachers' salaries. The Netherlands, too, has a complex set of categorical aid arrangements for calculating transfers from the central government to the local municipal authorities. In the United States, also, federal aid to the states for school purposes has been based on categorical grants, though within the states non-categorical, education-specific transfers have been the norm.

Chapter II of the report explores the relationships between funding arrangements and three major policy concerns: equalization, locus of control, and diversity of provision and parental choice of school.

Three principal approaches to equalization are identified:

- equalization of tax bases to support education
- equalization of per pupil or per capita expenditures
- equalization of physical inputs, particularly teacher services.

England and Wales exemplifies a system that focusses on the equalization of tax bases. In Florida and Ontario, too, there is substantial emphasis in that direction. The same is true at the federal-Land interface in Germany, at the federal-state interface in Australia, and at the federal-province interface in Canada.

Equalization of per pupil or per capita expenditures is a fundamental aim in Florida, and many United States and Canadian jurisdictions approach the aim in part by mandating minimum (foundation) levels of expenditure per child enrolled. Other countries approach the goal indirectly. For example, the effect of full state assumption of school costs in Australia seems to have as a by-product a high degree of equalization of per pupil expenditures.

Equalization of physical inputs, particularly of teacher services, is the hallmark of school finance arrangements in the Netherlands and in Sweden. There are also strong elements of this approach in Norway, where the system goes beyond mere equalization to achieve substantial compensatory effects for children in isolated, rural and poor communes.

## LIMITATIONS AND POTENTIALS

In the field of school finance, this study breaks new ground by combining a focus upon policy concerns with a comparative approach via ten countries. As far as the present report is concerned, the authors are painfully aware of its limitations. Questions concerning the true comparability of formally equivalent arrangements that have developed in different national contexts remain worrisome.

Country study authors were not always able to fit their data gathering and analysis into the agreed common framework that best suited the ultimate comparative purpose. The authors of the comparative paper have, no doubt, been sometimes unaware of important nuances of meaning, misunderstanding the precise importance of a particular term, or phrase; and the sheer volume of data to be considered must have produced some error in the final instance.

But, in spite of these, and perhaps other shortcomings, the entire project demonstrates that a comparative study of this kind is indeed possible and that it can produce some results of value: description of what exists in ten countries by way of the many different financing arrangements for primary schools; classification of those arrangements and their association with certain major policy concerns; and the possibility of using the data assembled to test the validity cross-nationally of a number of commonly accepted generalizations.

## CONCLUSIONS

1. *In whatever particular terms it is formulated, equalization can be successfully approached via either full central funding or mixed central-local funding, given certain conditions.* Full or nearly full central funding is an obvious option, illustrated by the Australian and Netherlands systems. Mixed central-local funding using categorical grants is another, especially when the support is directed toward the financing of teacher costs, as in Germany, Norway and Sweden. And mixed central-local funding using block grants can be arranged so as to have marked equalization effects, especially where differences among localities in fiscal capacity are low and/or the proportion of central funding is high (for example, Florida, Ontario and England).

2. *Many countries have improved outcomes in terms of equalization by instituting changes of emphasis and intensity of financial assistance and inter-governmental grants; they have not found it necessary to recast radically their school financing systems.* Rather, a continuous process of reappraisal and modification of financing arrangements, to take account of shifting demographic patterns and changing socio-economic structures, is the norm. While it is clear that none of the countries has succeeded completely in attaining the goal of equalization in all its aspects, most of them have made considerable progress in their recent past, without having had recourse to measures that represent fundamental breaks with traditional modes of financing schools.

3. *A corollary conclusion is that search for a "perfect" or "ideal" system of school finance is likely to be not only unnecessary, but futile.* The very variety of school financing arrangements that is observed leads to a strong suspicion that there can be no one best way to organize these matters, and that each country has adopted its particular pattern of school financing as the result of a long process of adjustment and compromise to its particular national context and to the major policy goals it has favoured over the long term. This conclusion tends to be reinforced when we recognize that some of the important goals set for a school finance system are likely to be mutually inconsistent, at least over certain ranges. Thus, equalization goals may conflict with the goal of expanded parental choice; tax equalization and expenditure equalization may also be difficult to achieve fully at the same time; and efforts to achieve satisfactory levels of service for those with special needs may encroach on desires for greater local autonomy. In such a situation, the "worth" of a particular set of school financing arrangements depends heavily on the relative values placed on each of the goals involved, as well as on the extent to which a particular financing mechanism is able to promote them.

4. *Unitary states do not, ipso facto, attempt or achieve more equalization than do federal countries.* Partly because school finance and equalization mechanisms are generally more complex in the federal countries (if only because of the presence of an intermediate level of government), and partly because federal countries, generally exhibit wider ranges of socio-economic differences within their borders than do the unitary states, it might seem reasonable to suppose that unitary states attempt, and even achieve, more equalization than do the federal states. The ten countries in the present study comprise five unitary states (England and Wales, Italy, the Netherlands, Norway, and Sweden) and five federal countries (Australia, Canada [Ontario], Germany, the United States [California and Florida], and Yugoslavia). Yet an examination of each set of countries does not reveal a relationship between type of political structure and equalization of school revenues or expenditures.

5. The concept of equalization has been broadened in many countries to recognize that certain categories of children have handicaps that justify compensatory, and not just arithmetically equal, treatment. In terms of the financial instruments used to satisfy this goal, two approaches were identified and discussed: the use of programmes of categorical aid, and the use of pupil-weighting systems. Both are in widespread use and each has its particular set of advantages and disadvantages. *Categorical programmes tend to reinforce standard, often centrally-devised and regulated, approaches to special provision.* At some stages of educational development this may be considered an advantage, at other stages a drawback. *Pupil-weighting systems, on the other hand, tend to leave the school-providing authority with more freedom of action, but they also bring with them severe problems associated with the identification of children in need of special services.* Such systems are also open to abuse if school authorities seek to inflate the number of children for whom they will "earn" larger weightings.

6. *The proposition that a high degree of non-local funding produces a more standardized, uniform structure of schooling or is negatively associated with local autonomy was not supported by the evidence of the country studies.* The mere fact that more money is supplied by one level of government to another level does not guarantee that the grantor level will exercise more control over the activities of the grantee level.

7. *However, a corollary proposition, that the mode by which non-local funds are made available will influence the degree of local autonomy permitted, is substantiated.* For example, the greater the reliance on non-categorical modes of funding, such as the use of block grants or service-specific non-categorical grants (for schools, housing, or roads, for example), the greater the degree of overt discretion enjoyed by grantee authorities. Conversely, greater reliance on categorical grants (for teachers' salaries, school building construction, or school programmes for the disadvantaged), is associated with less local autonomy. This is explained by the need to build regulatory controls and limits into categorical funding programmes that would otherwise turn into blank cheques issued to the grantees.

The report concludes that *the erosion of local autonomy, where it has occurred, has not happened as the result of deliberate moves on the part of either the local or the non-local authorities. Rather, ever higher levels of service have been demanded, at all levels of government, and the costs of provision have tended to outrun the localities' financial powers.*

8. The study noted that, in most of the countries, some public funds are made available directly to some non-government schools. In particular, the financing arrangements used in Australia and the Netherlands to support non-government (mostly, church-related schools are described, and are contrasted with arrangements in Ontario, where public money is not given to private schools,

but is available to both the non-denominational public school system and to the predominantly Roman Catholic separate school system. It is probable that provisions for supplying public funds to non-government schools will support a greater degree of diversity of provision and effective parental choice than is the case in countries where such arrangements are absent. But, a concluding cross-national analysis shows that *there does not seem to be any systematic relationship between the "standardization" of schools provision (lack of opportunities for parental choice) and particular aspects of school financing, such as the proportion of non-local funding provided.*

9. Finally, some countries place a great deal more weight on financing instruments to "steer" primary school policy and administration than do others. For example, in Canada, the Netherlands, the United States, and Yugoslavia, financing mechanisms play quite a large role in school affairs. In Germany, Italy, and Sweden, less so. But there are no clear correlates of this choice: *greater reliance on financing instruments (as distinct from direct, detailed regulation) does not appear to affect systematically any important outcomes of school policy.*

### SUGGESTIONS FOR FURTHER COMPARATIVE WORK

Further comparative work dealing with school finance would seem to be justified, and three main approaches, at least, are worth consideration.

First, there is the possibility of replicating the present project for another sector of the school system, for example, secondary schools, vocational schools, or pre-school institutions. Such a study might well be of value in its own right, as well as serve to validate the approach used here.

Second, the importance of teachers' salaries in school finance is obvious, and we have noted that in some countries the reimbursement (or assumption) of teacher costs plays a major role in the system of school finance. A comparative study that examined the consequences of basing school finance on teacher cost reimbursement or assumption might have quite substantial policy implications, as well as serving an important informative function.

Third, the present report deals in a somewhat summary manner with some aspects of financing schooling for children with special needs. This topic requires particular attention and comment here. The present report pursues at greater length three approaches to equalization—of the tax bases for education, of per capita expenditures and of physical inputs such as teacher services. However, such measures fall far short of the demand to provide an equally effective education for all the different and often greater needs of many groups of children. Thus, along with general measures, including financial ones, aimed at equalising opportunity governments have also increasingly provided extra resources for children with special needs. A number of countries view the demand to continue in this direction as the current major challenge to national educational policy, and a comparative study that took this as its central theme could be of greatest utility at the present juncture.

However, the present report well illustrates that the value of an inter-country study lies in the opportunity it affords to deal with underlying principles. Thus, while a general notion of "handicapped" is often used to define children with special educational needs, this term should be recognised as an aspect of a more general differentiation among school populations. The general principle is that policies are being directed toward school populations which are differentially recognised for educational purposes and for whom higher levels and different modes of financing are required. A whole range of school populations, however

they are delineated by country authorities, according to various social, cultural, linguistic, racial, ethnic, geographic, physical and mental characteristics, are the subjects of special educational attention. A new comparative study could usefully follow the precedent established in the present report to examine the general principles in this field in which policy is related to finance.

Finally, it has been recognised in this report that financing instruments may not of themselves be the major means for effectuating policy but that they may provide a key element along with other instruments in the larger organisational context. Therefore it is suggested that in future enquiries this organisational context be made more explicit.

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